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ECONOMIC AND INDUSTRIAL AFFAIRS

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19 October 1983

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2462

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GERMAN DEMOCRATIC REPUBLIC

AIMS OF TRANSPORTATION SYSTEM RESEARCH AND DEVELOPMENT CITED

East Berlin DDR-VERKEHR in German Vol 16 No 8, Aug 83 (signed to press 13 Jul 83) pp228-230

[Article by Dr Werner Lindner, director, Central Research Institute of the GDR Transportation System: "Main Points of Research and Development in the Transportation System." For a translation of the interview with O. Arndt cited in footnote number 2 below, see JPRS 83276 of 15 Apr 83, pp 1-10, no. 2388 of this series, entitled "Transportation Minister Interviewed on 1983 Objectives."]

[Text] Production Consumption and Transportation Costs Are Falling

A key problem in the solution of tasks in transportation is the reduction of the economy's transportation needs and the further reduction of transportation costs as part of the economy's production consumption.<sup>1</sup> The circle of those who are working to reduce transportation costs in the economy, mainly by optimizing transportation, has continued to increase. The results include new forms of management and planning and estimates of transportation figures for the requisitioning of freight transportation capacity. One of the main points in 1983 is speeding up work with basic transportation regulations in selected branches of the economy.<sup>2</sup> In this area, the scientists collectives of the Central Research Institute of the GDR Transportation System (ZFIV), together with the workers in factories, combines and economic administrations, are in the very vanguard. In March this year the testing of transportation regulations for the economy was successfully concluded at the Riesa VEB pipe combine.<sup>3</sup> In close socialist community work with a transition collective from the Riesa combine and local organs from the Dresden region, proof was produced that by working systematically with these regulations, transportation costs in factories and combines in the metallurgical industry can be reduced significantly. On the basis of determining transportation requirements exactly and subtracting transportation with the aid of well organized data compilation, they were able to save transportation capacity on the order of 30 million kilometer-tons, compared with state quotas for the current year. For instance, optimizing transportation in the Freital refined steel factory combine helped to reduce transportation distances in the involved arrangements with suppliers--50 freight cars are loaded and unloaded here each day. With the savings achieved by the Freital factory, about 500 freight cars annually can be readied for other consigners. The total concrete capacity reserves discovered by our Institute and the combine can now be used within the framework of the economy.

There is no doubt that it is of greater importance that, with these test methods and results, the factories and combines of the GDR have been handed an example and an instrument for methodical planning, with which the necessary transportation costs for society can be determined more precisely on a scientific basis and in this way the total cost of transportation for society can be significantly reduced. The positive result achieved in Riesa forms an important basis for the regularly scheduled introduction of normative transportation regulations in the five transportation intensive branches of the GDR's economy. In accordance with a resolution by the Council of Ministers, they will be introduced with binding force in 1983 in the areas of coal and energy, mining, metallurgy and phosphate, construction, the chemical industry as well as agriculture, food production and forestry in preparation for the 1984 economic plan.

In the search for new ways and in testing new methods to reduce transportation costs, the exemplary solution in the Berlin VEB machine tool combine "7 October" is also of great significance. The economic productiveness of optimizing the relationships of supply and transportation on the basis of the industry's existing structure of production and location will be exploited increasingly in the next few years. A main point of scientific work will come to be found increasingly in the so-called optimization of production-transportation and/or location-transportation. That means linking the production and transportation processes more closely and altering the scope and location of manufacture if the economic savings in transportation costs associated with it are of greater significance for the economy. Under the leadership of the ZFIV, studies have been under way since mid-1982 in the Berlin machine tool combine "October 7th" to see how the best possible solutions to transportation tasks can be achieved. The objectives of the scientific work are to discover the economic reserves of reducing transportation costs with a total of 15 individual tasks in the first step and to make the possible savings a practical reality.

Four approaches were pursued:

1. Efficient arrangement of cooperative relationships by de-integrating the work-sharing process in production within the combine and with the supply industry
2. Optimizing the relationships between supply and transportation on the basis of a high level of organization of production and circulation processes
3. Efficient completion of the transportation requirements of the economy by employing energy-efficient branches of transportation, by reducing factory traffic and efficient use of the transportation capacity of the combines.
4. Improving the management, planning and organization of the work of transportation, particularly with the use of transportation indices.

The central question in reducing transportation costs in the metal-processing industry proved to be the comprehensive de-integration of cooperative relationships. As part of a cooperation analysis carried out in the entire combine, the short-term and long-term measures necessary to de-integrate cooperation were worked out, resulting in a saving in diesel fuel and transportation costs. Overall,

all, the average optimizing effect for the economy of between 2 and 3 percent was exceeded for the selected test sites. The scientific studies and proposals to shift road freight transportation (including factory traffic) to the railroad also promise success. They conclude that by 1985 the possibility will exist of transferring about 12 to 15 percent of road transportation to the railroad without additional investments by means of technological changes. To achieve this in most cases, new solutions to problems of crating and corrosion protection are being employed and/or are still being worked out.

The analytical results designed to integrate the work of transportation into the process of managing and planning the combine's manufacturing process have shown that the new tasks, which have been needed for several years in the planning, balancing and subtraction of transportation costs and in the more efficient organization of implementing transportation in a combine, cannot be solved with the current arrangement of the work of transportation. The results of the study in the machine tool combine are particularly relevant because they confirm in a scientifically precise manner that significant economic reserves can be tapped with the interpenetration from the transportation side of the production, circulation and distribution processes in the industrial combines to reduce transportation costs. An example which is applicable by the industrial combines has been set up with these results. Also, an answer and a solution to the question of "cooperation and transportation" has been provided.<sup>4</sup> The experiences that the scientists from our institute collected jointly with work groups from the Berlin combine in the process of de-integrating cooperative relationships demonstrate also demonstrate how production-organizational and technological effort must be applied to conserve expenses for transportation. In order to work out economically correct proposals for decisions and then to make them a reality, a precise economic calculation of efficiency must be undertaken in each instance. As an analogy to the replacement of heating oil, the savings in liquid energy sources must be demonstrated accurately, with the necessary costs for substitution.

With the conclusion of these studies in June this year, the joint work groups from the ZFIV and the Berlin machine tool combine are now faced with the task passing on the experiences and results of this model solution to other combines and factories. The "Second Complex Congress on Transportation," held in Magdeburg on 23 and 24 June this year and organized by the Chamber of Technology (KdT), Association for Vehicle Construction and Transportation, and our institute, also addressed this concern. In Work Group II, which was concerned with questions of the efficient formation and management of freight transportation based in the economy, the results of these two model solutions were explained and discussed at length. A "Complex Theory of Methods to Reduce Transportation Costs in the Industry's Factories and Combines" was worked up.

With the main scientific tasks described here, which resulted in model solutions in the Riesa VEB pipe combine and the "October 7th" machine tool combine in Berlin, our institute, working in close socialist community with the economy, is making its contribution to the solution of a strategic task which Alfred Neumann, member of the Politburo of the Central Committee of the SED, formulated in this way at this year's leadership seminar of the Minister for Transportation in Gotha: "The better we are able to achieve the totally new disposition and evaluation of transportation--particularly freight transportation--into the conditions and assign-

ments of mainly /intensively/ [in boldface] expanded manufacture, the wider the door will open to great efficiency in all branches of transportation. Intensive economic development means: Providing significantly more profitable transportation for the economy, with society's work showing falling costs and simultaneously rapidly rising quality and efficiency."<sup>5</sup>

#### Implementing Automation in Manufacturing

The increased efficiency of science and technology necessary to solve the problems facing transportation requires working on the realization and selective surpassing of the assignments currently contained in the plan and, at the same time, reacting to newly emerging questions.<sup>6</sup> This is particularly true of those research topics in the ZFIV which are looking at the use of microcomputer technology in transportation. On the basis of the "Program for the Application of Microcomputer Technology from 1981, solutions in the following areas have been found effective:

--The use of in-train computers on the Berlin S-Bahn

--The use of ticket-window printers and automatic dialogue machines for ticket sales on the DR (Deutsche Reichsbahn) [GDR railroad]

--Electronic seat reservation for the Berlin area

--Increase of production in the Reichsbahn repair yards (Raw)

--Microcomputer-based control of traffic signals

Among the most important results of the use of microcomputer technology are savings of about 190 terrajoules of electrical energy, diesel fuel and gasoline, as well as the saving of about 500,000 man-hours. On the basis of previous experience in the use of microcomputer technology, its use in the time period until 1985 will concentrate on the following principal avenues:

--The implementation of energy-optimal driving methods by the gradual automation of monitoring and control processes in vehicles and the rationalization of commercial processes of succession

--The rationalization of dispatching, accounting and service processes in travel and freight transportation

--The rationalization of factory procedures in providing transportation and of handling processes

--The rationalization of construction and maintenance, including technical diagnostic methods

--The rationalization of marshalling on the railroads

--The rationalization of road and local traffic in cities and high population-density areas

--The rationalization of data compilation, transmission and processing

These ambitious objectives for increasing efficiency and accelerating scientific-technological progress assume and require a closer linking of research and practice. A close partnership of this kind is being put into successful practice, for instance, between the railroad directorate [Rbd] in Erfurt, the electrical industry and our institute. The Erfurt railroad directorate was able to work out a design for the application of microcomputers for the period between 1981 and 1985 in concert with the ZFIV. It contains the objectives and ways to obtain solutions for a total of 15 areas for the use of microcomputers. Among them are the testing and use of data compilation and data processing at the station level. As a result of joint efforts, the results of research such as the printing of freight car labels with office computers at the Erfurt marshalling yards were put into practice. In the summer of this year a portable data dialog machine will also be tested in practical applications and put into service. Using this equipment, employees in mobile offices will not have to perform laborious and time-consuming written work when processing information. The information can now be transmitted over the data dialogue equipment to a central processing unit, with the possibility of receiving feedback. Included in the overall design are the planned expansion of a computer-based central dispatch office, a comprehensive rationalization of ticket sales technology, primarily through the use of microcomputer-based ticket-window printers, and automatic destination braking.

The Department for the Rationalization of Microelectronics (RAME), which was first set up in the DR in 1981 as a special area in the Department for Rationalization and Innovation at the Erfurt railroad directorate in Meiningen, represents an important foundation for the tasks already realized and those that are planned. As a result of close cooperation among the ZFIV, the Erfurt directorate, local party and state organs and the ROBOTRON combine, it was possible to create the required conditions for this scientific-technological area of production. RAME's range of activity includes, among other things, the manufacture of microelectronic and precision components and selected microcomputer-controlled pieces of equipment for the DR, the repair of components, including their processing, the adaptation of software for the use of this equipment in the Erfurt directorate zone and participation in the transfer and maintenance of microelectronic equipment, which is given to the Erfurt directorate in the initial phases and the broad application of the results of research and development.

The results and the plans listed prove that a considerable research potential in the ZFIV has been applied to the implementation of scientific-technological progress to increase the performance output of the railroads. The scientific-technological capabilities combined under the ZFIV, in addition to the Institute for Complex Transportation Problems (IKT), the Institute for Railroads (IfE), the Center for Material and Energy Economy (ZME) and the Center for Process Automation (ZPA), are performing more and more effectively.

With the development of scientific-technological production complex, process automation, a productive capacity of this type has been created for the first time in transportation as a result of utilizing and integrating the potential of the ZFIV, the "Friedrich List" University for Transportation (HfV) in Dresden, the "Roman Chwalek" repair yard in Berlin-Schoenweide and the assembly group for microelectronics efficiency (RAME) in the Erfurt railroad directorate for the application of microelectronics and robotics technology. The scientists collectives of the ZFIV have set themselves these targets for the Karl-Marx year of 1983:

--to achieve a total of 70 peak performances for all topics in the state plan and crucial additional tasks (this means an increase of 84 percent over 1982),

--to register at least 31 patents and to surpass planned economic efficiency in transportation for reducing fixed costs by at least 5 percent and in conserving energy and work time by at least 10 percent. They want to contribute their share to the crucial contribution of science and technology to increasing the efficiency of the processes of transportation, handling, construction and maintenance. To achieve this, the available scientific-technological potential, on the foundation of the platform of the SED's basic organization and of socialist competition, will be concentrated even more decisively on the thorough rationalization of the economy's freight transportation and on the comprehensive rationalization of energy-economic processes and on the development and broad introduction of efficient technologies.

#### FOOTNOTES

1. "Anspruchsvolle Aufgaben im Personen- und Gueterverkehr" [Ambitious Objectives in Passenger and Freight Transportation], DDR-VERKEHR, 16 (1983), 4, pp 98-102.
2. O. Arndt, "Das Verkehrswesen im Planjahr 1983" [Transportation in the Plan Year 1983], DDR-VERKEHR, 16 (1983), 1, pp 2-4.
3. "Transportnormative objektivieren den notwendigen Aufwand" [Normative Transportation Regulations Objectify the Necessary Expense], DIE WIRTSCHAFT, (1983) 2, pp 14-15
4. L. Rouscik and H. Sange, "Effektive Kooperationsbeziehungen reduzieren den Transportaufwand" [Efficient Cooperative Relationships Reduce Transportation Costs], DIE WIRTSCHAFT, (1983) 3, p 11.
5. "Anspruchsvolle Aufgaben im Personen- und Gueterverkehr" [Ambitious Objectives in Passenger and Freight Transportation], *ibid.*
6. W. Lindner, "Die Aufgaben des Verkehrswesens--Herausforderung fuer die Verkehrsforschung" [The Tasks of Transportation--Challenge for Transportation Research], DDR-VERKEHR, 15 (1982) 6, pp 184-186

## GERMAN DEMOCRATIC REPUBLIC

### PROBLEMS OF R&D PLANNING ANALYZED IN WEST GERMAN REPORT

West Berlin DIW VIERTELJAHRESHEFT in German Vol 52 No 1, Jan-Mar 83 pp 76-83

[Article by Angela Scherzinger, [West] German Institute for Economic Research: "Aspects of Planning of Research and Development in the GDR"]

[Text] In the spring of 1981, the 10th Party Congress of the SED proclaimed the economic strategy for the GDR for the eighties. It places at the center a further development, the intensification and increase of productivity and the exhaustion of all opportunities in modern technology. In this conception, research and development have an even high position than previously, if possible.

The economic leadership repeatedly cites the following points of emphasis for research and development:

- Efficient generation and application of energy (improvement in coal mining methods);
- Improvement of the "weight/power ratio", e.g. by modern modular construction in machines or by light steel construction;
- Development of new technologies to save working time, energy, materials, by microelectronics, by the use of robots, as well as new testing and measuring methods (e.g. to optimize industrial methods and processes);
- Development of new products able to compete in the world market.

In specifying research and development objectives, it is necessary to have strict regard for economic criteria; most research and development should simultaneously also lead to "top performance of the economy"<sup>1</sup>. However, research and development are likewise subject to the restriction of scarce resources, especially scarce investment means. The research area itself should not be extended out of proportion. Here too, the requirement for "intensification" applies, i.e. an increase of performance for a given potential. The scarce means for investments furthermore limit the opportunities for transferring research results into production. Thus, technological successes depend decisively on advances in planning and management organization.

### Planning Instruments

The planning of technical progress is interwoven with many other planning areas. It is not intended here to present the overall complex<sup>2</sup>.

## Expenditures for Science and Technology

### Ausgaben der Wissenschaft und Technik

(1) Jahr bzw. Fünfjahres- durchschnitt	(2) Produziertes Nationalein- kommen(PN)	(3) Ausgaben für Wissenschaft und Technik	
	(4) in Mrd. Mark	(5) in vH des PN	
1950	29,32	0,15	0,5
1961 - 1965	83,74	1,59	1,9
1965	90,98	1,96	2,1
1971 - 1975	137,50	5,01	3,6
1976 - 1980	172,50	6,51	3,8
1980	187,06	7,35	3,9
1981	195,96	7,98	4,1
1982	201,80	8,90	4,4
Plan 1983	210,30	9,30	4,4
Plan 1981 - 1985	217,70	10,0/10,4	4,6/4,8

Key:

1. Year or 5-year average
2. Gross national income (PN)
3. Expenditures for science and technology
4. In billions of marks
5. In percent of the PN

Remark: The values for the gross national income are shown at constant 1980 prices. Since the means used for science and technology can be verified only at current prices, the percent proportion for the time before 1980 will be slightly too low and for the years after 1981, will be stated rather too high.

Sources: Harry Nick: The coalescence of science and production: *Wirtschaftswissenschaft* No 10/1980 p 1198- Speech by Erich Honecker at the 4th meeting of the Central Committee of the SED, in: *Neues Deutschland*, 25 June 1982, p 7.  
 Authors collective: The socialist national economy, Berlin (East) 1982, p 58.  
 Arnold Bernwald: Means for science and technology are used more effectively. In: press release of the GDR of 4 Jan 1983, p 5. Statistical yearbook of the GDR 1982, p 13 and 92. Calculations of the DIW.

How difficult is it to control a complicated innovation process as shown by the constant further development and new installation of instruments pertaining to business law. Here, a few important formulations from the party and business leadership will be analyzed, which emanate from a politbureau decision (approximately in the fall of 1981) concerning the further qualification of the management and planning of science and technology<sup>3</sup>. It is also connected with efforts, observed since the end of 1981, to push back again the economic power growth of the combines by means of more stringent control mechanisms<sup>4</sup>.

## Government Contracts in Science and Technology

The planning ordinance (for 1981 through 1985) already set down general regulations regarding the so-called government contracts. "Government contracts" in the GDR have a different meaning than in western parlance. Starting from the final product, they refer to all the necessary planning data for research and development projects which have a structural-political significance as well as the necessary connections for transfer (investments, supplies, materials, sales). Thus, certain structural changes in the national economy, e.g. the introduction of microelectronics, are to be implemented. The planning of research and development, which often ends with the production of a sample or a new series, should thus be extended to the production process. By trying to overcome "provincial thinking", it is hoped that technological key problems will be better solved.

The now greatly detailed new legal regulation<sup>5</sup> shows that previous practice only inadequately secured the central access right. In terms of content, the new law characterizes the "government contracts" by the following features: innovation processes, which entail "profound influences on the increase of performance and efficiency in the national economy. . . new effective production and export lines of highly refined products as well as highly efficient technologies and methods for comprehensive rationalization with a broad effect on the national economy" . . . , which "basically codetermine the international state of progress." In a commentary, microelectronics and robot technology are cited as examples.<sup>6</sup> The precise scope of "government contracts" cannot be determined uniquely. A reference point is given by a statement from 1979 concerning the "central tasks of the science and technology plan," of which "government contracts" are a part. These "central tasks" comprise about 40 to 50 percent of the total scientific-technical potential<sup>7</sup>. The other half falls within the planning range of the combines and research institutions, which here have to take into account the central objectives. Possibly, however, the independent playroom of the combines in the selection of research and development projects will be restricted in the future, as can be seen from statements by the party and state leadership.<sup>8</sup>

The 5-year plan represents a time period which generally does not agree with the particular innovation time period. Consequently, "government contracts" are planned for the entire implementation time and beyond particular departments, that is beyond the boundaries of industrial ministries, combines, and research institutions.

All the resources, machines, and equipment necessary for the "government contracts" must be taken into account in their proper priority within the budget. For "government contracts", especially strictly verifiable objectives must be worked out.

The law also regulates in detail the limitation of competence between the central organs. The ministry for science and technology and the chairman of the state planning commission will submit to the ministerial council the planned "government contracts" for confirmation. The combines and scientific institutions are obliged to assign to "government contracts" their material and technical potential with top priority.

For important "government contracts" ("with a broad effect on the national economy"), "contract managers" can be utilized: representative industrial ministers, general directors of combines or (mainly in the future) representatives of the minister of science and technology. The contract management system (already familiar since the beginning of the seventies) is a management form comparable to western project management. It extends through all phases and over all the hierarchies of the operating departments. In this way, the negative consequences of the "stacking principle" are to be overcome<sup>9</sup> (i.e. projects are transmitted from one working step to the next, always to new responsible persons).

### Lead Time

The objective of another ordinance<sup>10</sup> is to make research, development, and transfer the starting point of the entire planning process:

1) Beyond the yearly plan and the five-year plan, the combines will receive "additional orientation for science and technology" (beginning with the 1984 plan) for 3 years in advance by the government planning commission, the ministry for science and technology, as well as industrial ministries. This orientation will primarily refer to objectives such as increases of export profitability, savings of materials, raw materials, energy, and working time.

2) Scientific-technical tasks determine broad sections of the remaining business planning (investments, supplies, production, and sales). Now, the draft plans for science and technology should be worked out with a time lead before all other plan sections. For the plan year 1984, consultation for this planning section should already be completed by 20 April of the previous year.

3) The cooperation contracts (with partners in supplier industries, users), which are necessary for science and technology, should be planned and concluded as early as possible.

4) The scientific-technical objectives should receive priority consideration in dividing the operating funds.

5) Central access rights as compared to the combines has been increased because the latter will submit their science and technology plans to the industrial ministries and will consult with them. The new characteristic figure "renewal level of production" will be centrally prescribed to the combines and thus serves as a check in the actual implementation of technical innovation and production.

### Specification Manuals

Since 1977 there are "specification manuals" for verifying the efficiency of individual projects. Through an ordinance<sup>11</sup> promulgated at the end of 1981, the existing regulations have been made more detailed and stricter. "Specification manuals" are to be worked out for all research and development projects which lead to new products, methods, or technologies. In particular, the following must be specified in detail in their relationship to the project:

- economic objective (e.g. savings of energy or working time, upper limit for inherent costs, profitability, objectives for granting licenses);
- scientific-technical task (e.g. utilization of microelectronics, design objectives, comparisons with world status)<sup>12</sup>;
- implementation conditions (expenditure and working steps within the framework of transfer).

In this way, the economic aspects will already determine the strategy in the very beginnings of research planning, and top performances can be achieved in the shortest times, especially also for export. A time period of 2 years is set as a standard for the implementation of new projects. As a first success, it was reported that, in the planning year 1982, the development time was shortened to 2 years with over two-thirds of the research development projects "by strong concentration of the potential"<sup>13</sup>.

The "specifications manual" is the foundation for the financing and stimulation of individual projects. The clients, domestic merchants, as well as export enterprises collaborate in working it out (including also foreign assemblers and service departments). It must be defended before the responsible industrial minister; furthermore, the following central institutions are drawn upon: the office for industrial formation, the office for prices, the office for standardization, measurement, and merchandise testing, the office for inventions and patents, as well as the ministry of economy. If government planning tasks are involved, the "specification manuals" are to be confirmed by the minister for science and technology. The "specification manuals" are the basis for controlling important projects by the principal accountants as well as by the banking and financing organs<sup>14</sup>. A special implementation ordinance to the contractual law specifies that the "specification manuals" are expressly a part of the contract<sup>15</sup>.

The main form of the material attraction for research development areas should be in the task-related performance addition to the salary<sup>16</sup>. "Goal premiums" are coupled to adherence to the objectives in the "specification manuals". A form, which make the "specification manuals" into performance criteria, has been worked out in the Leuna plants. Here there are so-called research accounts<sup>17</sup>: relative to a particular research task, individual tasks are subdivided for the particular collective according to months (e.g. implementation time, use characteristic). After the third meeting of the central committee (November 1981), the research and development tasks were verified on the basis of the "specification manuals" and the objectives were in many cases raised<sup>18</sup>.

### Planning Problems<sup>19</sup>

Problems also exist in marketing--whether on the business level or on the overall economic level. Suitable criteria must be found for decisions, which research directions or individual projects are "important". There are other problems in the central guidance system.

Quite generally, the setting of priorities presupposes objectives and evaluation criteria, by means of which a ranking can be set up and evaluated. Here, a special difficulty in the GDR is that there is no decentralized evaluation, for example through the market mechanism (price formation). The economic central has utility values, costs, and priorities as orientation data that are prescribed only by itself. In every case, its value relations reflect only inadequately the scarcities and thus the opportunity costs. These value relations are specified centrally, as a rule for a longer period of time. Thus, the decision of the economic central concerning the present production and investment structure determine future scarcity relations.

However, the information services of prices in the market economy also should not be overestimated. This applies on the one hand to operational research planning which must orient itself in accord with future price relations (scarcity relations), which again are also only expectation values. On the other hand, public research planning--as in central planning businesses--in any case depends strongly on extra-economic evaluations.

The planning of technically feasible and economically successful projects presents relatively little difficulty in cases where, in the GDR, one can use the experience of technically advanced industrial nations as a guideline. However, this procedure is not possible if the special contingencies of the GDR must be taken into account--whether these be the basis of raw materials, production technology, or implications derived from the CEMA integration.

With the currently stagnating investment volume and other scarce resources, the question of priorities becomes even more important. This is also viewed as such by the GDR economic scientists<sup>20</sup>. "Innovation processes generally do not develop continuously . . . for decisions of the national economy it then becomes especially complicated if the resource requirements for innovation processes bunch up during certain time intervals. This requires a specification of priorities and a time extension, because material investment funds which are used e.g. for innovation processes cannot be arbitrarily expanded. In this connection, it is very important to combine the variants of development and the propagation of innovation processes materially and temporally in such a fashion that the savings and liberation of resources which are achieved with the innovation processes can be used to a certain extent for the development and introduction of other innovation processes."

To this must be added methodological problems: Future developments on the world market must be forecast<sup>21</sup>. This is generally done by means of unreliable, rough trend calculations.

Despite the already developed mathematical methods of network planning technique and optimization methods, a pragmatic procedure frequently dominates in the operational planning of innovations. The reason for this, among others, is that the operating management is overloaded with "operational" tasks<sup>22</sup>. The catalogue of data which must be considered to determine the required efficiency of an innovation is very extensive<sup>23</sup>.

Considerable changes can occur in the world market until research and development projects are mature for production; thus, the profitability of the innovation, at least for export into the foreign West, can be severely impaired (e.g. because of the actually lower sales prospects or because of an underestimate of one's own research and development expenditures and of the obtainable prices).

The GDR scientists also recognize the limits of regulations in terms of economic law and thus the general group of problems of exact and binding planability of technical progress. Thus, it says, "the innovation process is much too complex; it comprises too many interactions and design possibilities for it to be subjected to a strict determinism."<sup>24</sup>

According to a GDR analysis, the factors which cause the foundering of research and development projects in combines are distributed among the following principal sources of error<sup>25</sup>:

40 percent errors in task definition,

25 percent errors in the transfer phase,

35 percent inadequacies in regards to the material-technical presuppositions, especially the research devices, material.

This last source of error should be less serious with projects which enjoy "government contract" priority.

#### Transfer of Technology<sup>26</sup>--Problems Involved in "Transfer"

Favorable organizational preconditions for the innovation processes are basically expected from the formation of combines:

-By including the research institutions which were trans-entrepreneurial until 1979, within the combines<sup>27</sup>, research is closely linked with production, the task definition is derived directly from practice, and transfer occurs within one production unit.

-Large entrepreneurial units, in which research, development, and production and frequently also supplier enterprises are combined, can more effectively use the advantages of work division and concentration<sup>28</sup>.

-As a consequence of concentrating the research and development potential in combines with a predominant monopoly position, parallel efforts and fragmentation among too many individual projects can be avoided.

-It is regarded as a special advantage that the combine directors can plan and guide the research development all the way through to the production process and sales.

Western theory also ascribes a generally favorable constellation for innovations in large enterprises: considerable financing power, ability to accept risk, human capital. As disadvantages, which also apply to the GDR, one can cite the following<sup>29</sup>: the increasing bureaucratization which occurs with size, lack of mobility,

lack of clarity, the long paths in the decision process, the tendency towards waste. As advantages of small and medium enterprises, on the other hand, one can cite greater flexibility, less friction losses, more developmental opportunities for creative knowledge.

"Because of their complexity into the required feedbacks, innovations require an above-average extent of communication between the employees of different enterprise areas (R & D, production, marketing, etc.) . . . in a process that is most highly organized in terms of works division--for example with the existing differences in the "mentality" between scientists, engineers, and salespeople--there occurs a series of trouble and friction points"<sup>30</sup>. The "interfaces" between the stages of the innovation process are regarded as a special problem in the GDR technical literature. To overcome this problem, the following proposals have been made, which currently are also already being applied in the combines:

- Collaboration beyond the limits of the functional unit. Example: Already in this stage of testing the systems of methods, the production employees will collaborate in order to secure development that is congenial to actual practice<sup>31</sup>. In particular, a delegation of qualified technicians is proposed for the design department as design technicians, and economic and production requirements (resulting from the planned production and assembly) are imposed on the design department<sup>32</sup>.

- Already in the specification of scientific-technical tasks, "transfer collectives" should be formed which work together until takeup into production. For this purpose, the responsible project workers should be assembled from the following areas: research, development, design, engineering, quality control, investment, materials economy, production, economy, and sales. One can cite the following as advantages of the transfer collective<sup>33</sup>: early information to all areas; coordination with the materials business; avoidance of bad investments; on-time specification of the most favorable sequence for the design and production of fabrication means; on-time targeted market preparation.

A presupposition for frictionless conversion of completed research and development projects in the production is the planning of the necessary production factors, which must be prepared on schedule. Indeed, the combines have available their own construction for rationalization means and many supplier enterprises, but they too depend to a certain extent on supplies from outside. This can involve e.g. special components or test equipment for scientific device construction<sup>34</sup>. If a particular technical partial solution is lacking, the entire innovation process is in jeopardy.

The GDR scientists also cite further difficulties: rigid regulation for the ordering of material and construction elements, the unreliability of supplies, which cannot be compensated by "operational procurement" and targeted storage<sup>35</sup>. Altogether, within the given budgeting system, after conclusion of the budget decision, new needs can scarcely still be considered. Thus, the short-term demand for special supplies, which is particularly likely in the case of innovations, cannot be covered.

But even the capacities internal to the combines are not always sufficient. Thus, the capacities e.g. for test panels, power systems, and sample construction frequently are not adequate for the requirements<sup>36</sup>, especially since the current effort is to build up a combine-internal application-related basic research<sup>37</sup>.

The duration of the entire innovation process should be shortened in every phase. Furthermore, an overlapping of the individual stages and/or parallelism between individual phases is being striven for. Because: "Above-average long development times frequently have as their cause that all the development stages are performed sequentially and with time reserves<sup>38</sup>." The general intermeshing of the individual stages is important. Especially the specification of the moment for investment represents an optimization problem: "A very early beginning of investment preparation increases the technical and economic risk, since available results from product and process development still carry with them a relatively high degree of uncertainty. This implies high expenditures for follow-up planning and modifications as well as increased inherent costs for a running production by production methods which may not be fully mature. A later beginning generally shifts the introduction date and thus leads to economic losses by a delay in the beginning of production<sup>39</sup>."

In view of the limited research and development capacities, the diffusion of technical knowledge is especially important for the intensification strategy that is being pursued. Thus it says: "The eighties will be characterized especially for the massive application of already known scientific-technical solutions in micro-electronics, robot-, control-, and computer-technology. (According to analyses, 5 to 10 percent of the actualized opportunities are currently really being used.)" Here, what is involved is not merely an isolated use of new technology but a step towards the automation of production processes, coordinated in the ensemble, and based on new technologies and an effective production organization<sup>40</sup>."

The "elasticity" of the existing production technology is regarded as an essential presupposition for the application of technical innovations. Thus, a "greater variability in the usefulness of constructive envelopes is meant<sup>41</sup>." Furthermore, a growing structurization of machine systems according to the modular principle is required, and a higher proportion of standardized components and modules. For the technical further development, replacement or supplementary modules must be furnished. In this way, considerable savings can also be reached in the stage of planning and design (by falling back on existing design documents for particular components and modules). Simplified modules furthermore would have the advantage that, to an increasing extent, maintenance and general repair could be effected by replacement procedures, and thus down times could be shortened.

#### Summary:

In principle, one can cite the following possible advantages for central technological guidance in the GDR:

-The economic central has access to technological information<sup>42</sup>. (In market economies, on the other hand, there is a holdback of information for competition reasons).

-Beyond the interest of industrial branches, priorities and programs of central interest can be planned uniformly and can also be secured "materially-technically" by a prioritized supply of resources.

The instrument of "government contracts" can be regarded as an expression of these possibilities.

Juxtaposed with these advantages are defects--largely system-specific defects--of the central-hierarchical management and coordination: Focal programs with their binding of resources can lead to neglect of broad-range research, and the technical further development of broader areas can be hindered. In the GDR, the combines sometimes also tend, on the basis of their own interests, to hold back information about technical know-how (e.g. specific process improvements) so that they themselves can first of all utilize the advantages of easier plan fulfillment or overfulfillment.

Up to now, one cannot observe a general breakthrough to a higher technological level by forming the combines. The central control of research and development has been made more stringent, the bureaucratization of the innovation process has rather been extended. Thus, the beginning of a project requires extensive collections of characteristic figures by the managements of the combines, the setting up of performance objectives and of utility probes<sup>43</sup>. Thus, tight limits are set to adaptability and reactability (e.g. relative to developments in the world market). There is too little enthusiasm for innovation<sup>44</sup> in the sense of thinking in terms of new product and factor combinations, generally only technical perfection or a combination of existing knowledge, but little basic innovation that is subject to special risk. Inasmuch as a failure of innovations is sanctioned more severely than an "omission" of possible innovations, the combine management will surely remain on the path of the already accomplished, in the majority of cases--also because of the dominance of the plan fulfillment principle as a verification of success. Indeed, it should not be disputed that, even in a planned economy, the management personnel are stimulated to innovation basically by ideal incentives (such as the need for prestige, self activation through pride in accomplishments, increase of power). But, on the other hand, tight limits have up to now been set to an independent decision concerning the use of profits arising precisely from investments. The same also holds for the lack of independent control over the resulting funds (e.g. to purchase licenses or more modern western technology).

A basic distinction must be made between process and product innovation. From the domestic market there is a certain innovation pressure as regards to new methods, because of scarce resources. This is augmented by centrally imposed tasks (characteristic figures for the consumption of materials and energy) and resource contingencies. There is less stimulus for product innovation; the appeals for economy furthermore equip the combines with the argument that they must produce in profitable lot sizes. Here, no room remains for considering the special wishes of the populace as regards design or technology; the consumer goods market is generally still a seller's market. Thus, Erich Honecker, at the fifth meeting of the central committee of the SED also required an agreement between the development of monetary receipts on the part of the populace and the supply of goods; more consumer goods and high quality were cited as a presupposition for the effectiveness

of the performance principle<sup>45</sup>. GDR market research also recognizes that, in recent years and with increasing income, the demand has become more differentiated, and the expenditure fraction for consumer goods which are not survival necessities has increased. To this extent, the demand for higher quality goods becomes more serious in areas where sufficient quantity is indeed being offered but there is a risk of producing shoddy merchandise.

The decisive stimulus for product innovations emanates from foreign trade. However, as far as exports to the CEMA countries are concerned, the GDR is here shielded from the harder competition from the more highly developed western countries (Altogether less than about 10 percent of the export of machine construction products goes to western countries). Furthermore, the GDR has extended its technological cooperation with its CEMA partners, that is with countries whose technology is generally inferior to that of the west. However, because of western debts, the GDR is increasingly forced to augment its efforts in developing products that can compete in the western market.<sup>46</sup> In view of the only limited expandability of the research and development potential, the possible potentiality for this would lie in an optimal determination of priorities in planning and in a higher efficiency in the organization of the process sequences, and not least of all in the framework conditions which make possible an increased innovation readiness on the part of the combines.

#### Footnotes

1. Compare Fritz Haberland: Effective Connection of Science and Production in the Combine. In: Einheit (Unity) (No 12/1981, pp 1206 ff. This also bors the danger of neglecting basic research, as is also indicated by a speech of the academy president at the fourth meeting of the central committee of the SED. (Compare Neues Deutschland (New Germany), 25 June 1982, p 5).--Also compare Wirtschaftswissenschaft (Scientific Economics) No 2/1983, p 164.
2. In particular, compare Günter Lauterbach: Technical Progress and Innovation. Erlangen/Nuremberg 1982, p 44 ff.
3. This decision has remained unpublished. It was mentioned at a third meeting of the central committee of the SED. Compare Neues Deutschland (New Germany) 20 November 1981, p 4.
4. In this connection compare the GDR economic system: Control Mechanisms Again Made More Stringent. Authors: Doris Cornelsen and Angela Scherzinger. In: Weekly Reports of the DIW. No 21/1982.
5. Decision concerning the "ordinance for work with government contracts in science and technology"--Excerpt GBI of the GDR part 1/1982, p 181 ff.
6. Compare Fritz Haberland: Demands on Management in Planning and Science and Technology. In: Die Wirtschaft (The Economy) No 3/1982, p 5/6.
7. Compare Heinz-Dieter Haustein, Dietmar Ivanov: Technical-Economic Level of Production and Products. Berlin (East) 1979, p 135/36.

8. "The point now is to specify precisely those projects which promise the greatest utility, and to implement them quickly. This cannot be left to the individual enterprises, and especially not to individual combines. It involves strategic questions, and the ministers must personally worry about their solution." Compare conclusion of Erich Honecker on the fifth meeting of the central committee of the SED. Neues Deutschland of 27/28 November 1982, p 4. "It is necessary . . . to make changes in technology as well as in the production profile. In order to secure the product profile necessary for the final product of the planned national economy, with higher use values in its interlinkages, this process must be guided exactly by the ministries and by the state planning commission." (Compare speech by Willi Stoph at the sixth congress of the Volkskammer (national chamber). In: Neues Deutschland of 4/5 December 1982, p 3).
9. The following negative consequences of the "stacking principle" are mentioned:
  - time losses through constant new training of colleagues and collectives in a particular task area
  - no success participation for those developers who work in the initial development stages
  - many error causes cannot be clarified
  - frequent doubts about the "utility" of the results of the predecessors.

Compare Wolf-Dietrich Hartmann, Helmut Richter: Paths towards Top Performance. Berlin (East) 1982, p 60/61.
10. Compare Ordinance No 2 concerning the supplementation of the ordinance for planning the national economy of the GDR 1981-1985. GBI of the GDR part 1/1982, p 109 ff.
11. Compare Ordinance concerning the specifications manual for research and development tasks--specification manual--ordinance of 17 December 1981 GBI of the GDR part 1/1981, p 1 ff.
12. In a new monograph, extensive procedures and calculation on methods are explained in this connection. Compare authors' collective: Comparison of the World Status. Tasks, Methods, Experience. Berlin (East) 1982.
13. Compare Neues Deutschland of 15/16 January 1983, p 3.
14. Compare finance ordinance for science and technology. GDI of the GDR part 1/1982, p 150 ff. The main accounting is both the control organ of the finance minister and is also responsible for invoices in the combine.
15. Compare paragraph 9 of the first implementation ordinance to the contractual law--economic contrasts concerning scientific technical performances. GBI of the GDR part 1/1982, p 325 ff.
16. Compare Fritz Haberland: Demands on the Management and Planning of Science and Technology. In: Die Wirtschaft (The Economy) No 3/1982, p 5/6.

17. Compare research accounts: specific, measurable, profitable. Neues Deutschland (New Germany) of 24 August 1982, p 3 as well as: Computing Already in the Laboratory. Neues Deutschland of 29 September 1982, p 2.
18. Compare press release of 19 January 1982, p 5 as well as Berliner Zeitung (Berlin paper) of 18 May 1982, p 3.
19. Compare also Federal Republic of Germany--GDR. The Economic Systems. Published by Hannelore Hamel, 4th edition Munich 1983, p 250 ff.
20. Compare Ralf Pieplow: Innovation Processes and Limited Resources. In: Scientific Journal of the College for Economy "Bruno Leuschner". No 2/1982, p 17.
21. "The Path of Least Resistance, i.e. a schematic advance of previous development trends proved topped with asphalt only briefly at the beginning of the eighties. In the future it will be less and less sufficient to evaluate merely passively the scientific-technical innovations of the competition or the serious changes of work division which become internationally clear, of the export and import structures." (Compare Wolf-Dietrich Hartmann: Is the New Really Always New? Discovery, invention, innovation in the test of time. Berlin (East) 1981, p 109)
22. W. D. Hartmann, M. Weber: Objective Decision in the Innovation Process: In: Die Wirtschaft (The Economy) No 5/1980, p 17.
23. "-Development time--introduction time--introduction instant--production time--use time; --use properties--production quality--application conditions--rationalization effect for the user; -development expenditure--investment expenditure--one time application expenditure; -use properties--need--capacity--production units--application width -performance capability of development areas--technical and organizational level of production--inclusion of the reproduction process in the user's operation." (Compare authors' collective; product efficiency. Methods, instruments, work directives for development, production, and application. Berlin (East) 1982, p 13).
24. Compare Hans Heinrich Kinze: Complex Innovation Processes and Requirements of the National Economy. In: Scientific Journal of the College for Economy "Bruno Leuschner". No 2/1982, p 6.
25. Compare the connection of science and production in combines of the industry of the GDR. In: Wirtschaftswissenschaft (Economic Science) No 4/1982, p 489.
26. The western concept of technology transfer (transfer of technological knowledge into production) is generally designated in the GDR as "Überleitung": connecting lines between basic research, applied research, development (experiment, planning, design, construction and testing of the functional model, production models and the now series), production start and introduction into mass production. As long as a relatively large portion of research capacities

still lay outside the economic unit (compare the following footnote), precisely this transfer from extra-operational research results into industry was discussed. In this chapter, this is bracketed out, and the term of technology transfer is defined and analyzed in a stricter sense as "transfer between the R & D subsystem and other subsystems of enterprise" (Compare Hans Corsten: The National Technology Transfer. Series: Technological Economics. -Berlin 1982 p 29).

27. From 1976 to 1980, the proportion of combines in the research and development potential of industry has risen from 44 percent to 90 percent (compare scientific journal of Dresden Technical College, No 2-3/1981, p 59). Relative to the total potential of employees in "science and technology", about 65 to 70 percent falls to industry. (Compare author's collective: The Socialist National Economy. Berlin (East) 1982, p 59).
28. A special problem arises if a combine consists of specially separate production sites. Inasmuch as research and development are then combined at one center, there are communication barriers due to the spatial distance.
29. Compare Jutta Gerjets: Research Policy in the Federal Republic of Germany. Cologne 1982, p 28 ff. However, empirical studies concerning this problem area of the influence of enterprise size arrive at quite different results (compare Hans Corsten: The National Technology Transfer. Loc cit p 268 ff).
30. Ibid p 21.
31. Compare Siegfried Schiller: More Use from Research. In: Einheit (Unity) No 1/1982, p 74. Compare also Irene Fischer, Karl Hartmann: Technology, Growth, Productivity. Berlin (East) 1980, p 146-47.
32. Compare authors' collective: The Economy of Business Research and Development. A manual. Berlin (East) 1980, p 398.
33. Compare author's collective: The Economy of Business Research and Development. Loc cit p 399.
34. Thus, in connection with robot construction, many technical elements are required such as microelectronic controls, hydraulic modules, motors with special performance parameters. Compare Rudolf Reichel, Günter Schilling, Gottfried Rossel: The Analysis of Complex Innovation Processes. In: Scientific Journal of the College for Economy "Bruno Leuschner". No 2/1982, p 46.
35. Compare Siegfried Schiller: More Use from Research. In: Einheit (Unity) No 1/1982, p 73/74.
36. Compare Gert Friedrich: The Connection of Science and Production in the Combine. In: Einheit (Unity) No 4/1982, p 493.
37. Indeed, in the focal point of basic research will continue to lie with the institutes of the academy of sciences and the colleges. There, with support

of industry, "technica" have been set up in recent years, in order to improve, in selected areas, the transfer of basic research to industrial utilization (Compare Hannes Hörnig: On the Position of Science on the Social Reproduction Process. In: Einheit (Unity) No 2/1983, p 134).--Despite many years of effort, transfer from these areas to industry is still inadequate. These problems will not be discussed further here. In this connection compare New Trends in the Organization of Research and Development. Author: Angela Scherzinger. In: Weekly Report of the DIW. No 27/1979.

38. Compare Karl Hartmann: Decisive Increases in the Effectiveness of Technical Progress. In: Die Wirtschaft (The Economy) No 11/1982, p 17.
39. Compare authors' collective: The Economy in Business Research and Development Loccit p 405/406.
40. Compare Fritz Haberland: The Influence of Technical Progress on Intensification. In: Die Wirtschaft (The Economy) No 1/1982, p 21.
41. Compare Harry Nick: Economic and Ideological Requirements for Effective Basic Fund Reproduction. In: Einheit (Unity) No 10/1982, p 1038, also Harry Nick: Rationalization in New Dimension. Berlin (East) 1981, p 45/46.
42. For this purpose, especially the "Information System Science and Technology" is used as an instrument--a central system for data acquisition and storage.
43. An example of this is the "arrangement concerning the frame guideline for determining, planning, verifying, and accounting the effectiveness of measures of scientific-technical progress." GDI or the GDR Part 1/1982, p 165 ff.
44. An extensive theory on the problem of innovativeness in the GDR is given by Gunter Lauterbach: Technical Progress and Innovation, Loc cit.
45. Compare Neues Deutschland (New Germany) of 27/28 November 1982, p 4. However, this idea is not quite new. Thus, the following "action chain" was discussed elsewhere: Economic Growth--Better Satisfaction of Needs--Development of Motivation and Performance Readiness on the Part of Employees--Higher Production Efficiency--Economic Growth." Compare Klaus Steinitz: Some problems on economic growth under the conditions of intensively expanded reproduction. In: Wirtschaftswissenschaft (Economic Science) No 2/1982, p 181.
46. The GDR economic scientists admit "that the portion of top products--measured for the world standard--is still too little in the GDR export, and the products whose technical parameters codetermine the international level still sometimes have weaknesses as regards material intensity, noise level, serviceability, etc." Compare Ilse Hauke, Marianne Winkler, Heinz-Rudolf Zopf, Harald Zschiedrich: Complex Innovation Processes and External Business Relations. In: Scientific Journal of the College for Economy "Bruno Leuschner". No 2/1982, p 39.

\* The following study reached the author only after editing had been completed:  
Hanns Jörg F. Buck: Research and Technology Policy in the GDR--Goals, Management Instruments, Mobilization Means, and Results. In: Writings Concerning the Comparison of Economic Orders. No 30 Stuttgart 1983.

8348

CS0: 2300/390

PAYMENT PROBLEMS WITH CHEMICAL IMPORTS, CRACKING PLANT

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 9 Sep 83 p 13

[Article by "mh", Leipzig correspondent: "GDR intends payment in hard currency."]

[Text] Leipzig, 8 Sep--Following the good progress made in the previous year and the increase by 19 percent to DM 644 million in chemical exports from the Federal Republic of Germany to the German Democratic Republic in the first six months of this year (F.A.Z. of 5 September), the hopes of West German chemical companies at the Leipzig Fair are dampened for the remaining four months of this year. Full utilization of the DM 530 million swing (non-interest bearing overdraft facility) agreed upon in intra-German trade and the assumed increase in high GDR imports have caused considerable restraint on the part of the GDR. Therefore, the majority of the exhibitors of the West German chemical industry expect this year's total sales to reach the same, though substantial, level as in the previous year. The marked increase in GDR's chemical imports is largely attributed to the Soviets slashing their crude oil exports to the GDR. Thus, it is above all the high imports of synthetic primary products produced on petrochemical basis that weigh heavily.

In negotiations on further chemical imports, the GDR is now offering to pay in chronically scarce foreign exchange instead of in clearing units as provided under the Agreement on Intra-German Trade. These transactions, however, would have to be handled through third countries since direct foreign-exchange payments are not permitted under the agreement with the GDR. The West German companies are, however, skeptical about whether such transactions could ever materialize, because the GDR requests a 360-day period for payment as in previous years. In contrast, the West Germans imagine 180 days as the maximum period allowed for payment. For longer periods, the GDR would have to agree on discounting, so that interest would have to be paid on outstanding payments after one month.

Considering GDR's difficulties in the supply of oil-dependent products, it is not surprising that rumors are being spread in Leipzig concerning a possible deal with the Duesseldorf power supply group VEBA [United Electrical and Mining Company], an exhibitor visited by Erich Honecker, chairman of the GDR Council of State, at the opening of the fair. According

to these rumors, the GDR is interested in the construction of a cracking plant with an annual capacity of 1.5 million tons (metric), enabling heavy oils and refinery residues to be converted into light products as required by the chemical industry. From the West German viewpoint, negotiations on this plant, which in the Federal Republic would cost over one billion DM, could not take place until the commencement of the GDR's new five-year plan which starts in 1985, because the GDR indicated to the West German plant builders in Leipzig that its funds for new plants were exhausted until the end of 1985.

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CSO: 2300/398

GERMAN DEMOCRATIC REPUBLIC

DECREE ON ECONOMIC ACCOUNTABILITY OF COMBINE MANAGEMENT

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German  
Part I No 19, 21 Jul 83 pp 193-196

[Official text of "Decree of 23 June 1983 on Annual Accountability Procedures in the State-owned Economy," signed by W. Stoph, chairman, GDR Council of Ministers. For a translation of the decree on economic accounting cited in footnote 1, see JPRS 80340, 17 Mar 82 No 2246 of this series]

[Text] For the preparation, implementation and evaluation of annual accountability procedures in the state-owned economy, the following decree is herewith promulgated:

Article 1

Area of Applicability

- (1) This decree regulates the preparation, implementation and evaluation of annual accountability reports by the directors-general of the state-owned combines and foreign trade enterprises as well as by directors of state-owned enterprises in all areas of the economy to their superiors.
- (2) In the case of the accountability reports by the directors of the locally controlled combines and enterprises, the chairman of the local council shall be considered the superior. He is empowered to decide that the accountability report be submitted to the director of the appropriate specialized agency at his behest.
- (3) Accountability reporting by the directors and the top management of the state-owned combines and enterprises to the labor force, to the legislative assemblies and the social organizations will proceed according to the regulations specified below.

## Principles of Annual Accountability

### Article 2

- (1) Annual accountability reports must be submitted by the state-owned economy as regards fulfillment of the goals set in the economic plan on performance trends and intensification based on SED economic strategy. The subject matter to be included in the annual accountability report are the tasks set forth in the resolutions of the SED central committee, in legislative acts and regulations as well as the orders issued by the council of ministers and top management.
- (2) The annual accountability report will evaluate the material and financial results of economic activity based on a comprehensive analysis of performance and efficiency trends with the aim of strengthening the combines' and enterprises' sense of responsibility for the fulfillment of the economic plan; for the obligations toward the state budget, the national bank and the cooperative partners as well as for a tight fiscal policy of their own.
- (3) In case of non-compliance with government planning targets and in case of shortfalls in the fulfillment of financial responsibilities toward the state budget, the national bank and the cooperative partners, top management will have to take the necessary steps to insure fulfillment of targets and obligations.
- (4) Based on fulfillment of government planning targets, top management will decide on whether to clear and/or award a premium to the director-general of the combine, the director of the enterprise or the chief book-keeper.

### Article 3

- (1) The annual accountability process will be used to draw inferences from the economic activity of the combines during the planning year just completed in order to insure overall plan fulfillment during the current year and to work out plans for the year to come.
- (2) Top management will utilize the annual accountability process to assess the situation regarding the planning approach. The responsible manager will have to show that the government planning targets have been completely broken down, materially and financially balanced and contractually bound. This includes an assessment of the extent to which the initiative of the labor force in the combines and enterprises has been developed for the purpose of fulfilling and exceeding planning targets by making use of sophisticated methods and available resources.

#### Article 4

(1) The directors-general of the combines and the directors of the enterprises are required to see to it that the social organizations—and in particular the unions—participate in preparing and implementing the accountability process to top management and in submitting the report to the labor force.

(2) The results of the annual accountability report submitted to top management are to be incorporated in the accountability report made to the labor force. The workers collectives are to be fully informed about the economic activities of the combines and enterprises for the purpose of strengthening their conscious and creative cooperation in the implementation of the tasks set forth in the plan as well as for the purpose of developing new initiatives for surpassing planning targets within the context of socialist competition.

#### Article 5

(1) Top management is empowered to request special accountability reports on major aspects of plan implementation which go beyond the annual accountability process.

(2) In case of serious infractions against government, plan, fiscal or pricing discipline, top management is instructed to call for accountability procedures above and beyond the plan. In such cases, social and government control organs have the right to request the appropriate top management to conduct special auditing procedures.

#### Major Features of the Annual Accountability Process

#### Article 6

(1) The chief accountant will have to show that the economic demands placed on the performance standards of the combine and/or enterprise have been turned into ambitious economic and scientific-technological targets as part of the science and technology plans and that the contribution of scientific-technological operations to a dynamic development of labor productivity and an improvement in material and energy-conserving methods as well as physical working conditions is being raised according to plan. He will also have to show how the principles and standards set forth in resolutions and regulations on duty books and on R & D cadre performance incentives are being implemented and how the physical and intellectual potential is being put to use to develop top-quality products; to improve product quality and to introduce new technologies.

(2) The managing director will check the duty book accounts and examine whether the economic R & D results certified in the account settlements have been fully brought into line with planning and budgeting requirements. He will have to show that the available R & D funds achieved economic results appropriate to the economic targets set.

#### Article 7

(1) The chief accountant will have to give an itemized account of the full plan effectiveness of the economic gain derived from investments either already put in operation or still to be put in operation during the preceding year or the planning year. Investment projects in the process of being implemented must be shown to have met the requisite conditions for utilizing the funds according to the plan. Investment projects about to be initiated must be shown to be in compliance with economic efficiency standards including projected reflux time. It must also be shown that the capital required for the funding of projects has been obtained according to plan and was formed in compliance with existing regulations.

(2) The managing director will check on the realization of tasks set forth in the plan aiming at the utilization of self-produced rationalization methods to cover investments for equipment.

(3) The managing director will check what measures have been introduced in the combines and enterprises to raise labor productivity at a faster rate than basic assets. The chief accountant will report on the utilization of basic assets, particularly of robotics as well as on compliance with norms for the utilization of production equipment. Data will have to be provided on the efficiency of scientific-technological programs and rationalization methods for the purpose of raising labor productivity; on the modernization of basic assets; on the reduction of man hours lost and on cutting down on the number of jobs.

#### Article 8

The chief accountant will report on how the planned reduction of production consumption is achieved in particular through the improvement of methods aimed at saving energy and materials. In line with the goal of achieving a higher growth rate in production of the state-owned economy while maintaining and/or lowering the use of energy and materials, he will show that energy, raw materials and plastics use and the development of inventories are proceeding on the basis of government norms and/or progressive norms and identification codes; that the planned reduction in the use of specific materials has been achieved and that the necessary steps to implement the initial stages as well as the future course of the plan have been taken.

## Article 9

(1) The chief accountant will report how planned development and efficient utilization of labor capital have contributed to the fulfillment of performance targets and a rise in labor productivity. This relates above all to the full utilization of working time capital; to improvements in the personnel structure and reductions in fluctuation.

(2) The chief accountant will show how personnel gained through efficiency measures is being used to enhance work shift utilization; to expand the production of more efficient equipment and of consumer goods both in their own and in other areas of responsibility. He will report on how preparation and training programs for new jobs are being carried out with the agreement of the workers.

(3) The chief accountant will report on tasks aimed at improving living and working conditions of the labor force. He will show how difficult working conditions are being mitigated; how instances of manual labor are being reduced and how workers' assistance as well as health, cultural and social services are being provided.

## Article 10

The annual accountability report will include figures on the levels attained in bringing the plan, the budgeted funds, the contract as well as the fulfillment of contractual obligations into line. The chief accountant will provide a full itemization of the plan as well as the material guarantees and contractual commitments above all with regard to products of the government and ministerial budgets. He will report on the return of unused budgetary funds, allocations or other funds to budgeting agencies and will submit proposals on the utilization of surplus stocks.

## Article 11

(1) The chief accountant will draw the necessary conclusions from the fulfillment of foreign trade projects during the preceding year and will show what measures were taken to implement the plan particularly with regard to drawing up a full list of exportable items and to the conclusion and implementation of agreements.

(2) A comprehensive evaluation will be undertaken of the financial management activities of the combines and enterprises in the foreign trade area. The managing director will ascertain what measures were introduced to guarantee planned export profitability and planned currency yields. This includes ongoing controls of export plan fulfillment and of measures aimed at avoiding and liquidating overdue debts.

(3) The material and financial results of foreign trade activities will serve to provide important data on the scientific-technological programs undertaken by the combines and enterprises. The chief accountant will certify that the export targets of the combines and/or enterprises are supported over the long term by the tasks of the science and technology plan; that export profitability of newly to be developed products is being attained in accordance with the targets set forth in the duty books and that profits from the sale of new export products are rising faster than expenditures for scientific-technological programs. Quality development of export products and complaints about them will be examined.

(4) The chief accountant will provide an account of the implementation of the tasks assigned to him in the area of imports.

#### Article 12

(1) The chief accountant will certify that production and sale of goods and services intended for the population is proceeding according to plan in terms of quantities, selection, quality, price categories and deadlines and that the availability of products for the goods pool of the population is contractually assured. With regard to combines producing capital goods, he will show how the above-average growth rate in the production of consumer goods set forth in the plan is guaranteed.

(2) The managing director will review the goals of the science and technology plan for the development of new consumer goods and will, if necessary, set forth measures aimed at increasing the efficiency of scientific-technological programs. The chief accountant will report on what measures have been introduced to develop new consumer goods of great utility, improved quality and greater attractiveness and to assure production of these items in sufficient quantity.

#### Article 13

(1) The annual accountability report will show to what an extent the production and product structure of the combines and enterprises is in agreement with the demands of the economy, of foreign markets and the provisioning of the population. The saleability of the major products and its effect on inventories and economic results will be examined by the managing director.

(2) The chief accountant will base his conclusions on the targeted utilization of science and technology for the further development of products and the updating of inventories on the marketability of the major products. He will also explain his plans for the further organization of the production apparatus including measures aimed terminating or converting production, if necessary, on that basis. He will show that necessary changes in product selection instituted in the interests of the economy were coordinated with the appropriate budgeting agencies and are being incorporated in the plan and the budget on that basis.

#### Article 14

(1) In conjunction with the results of the analysis of the fulfillment of material procedures, the chief accountant will undertake a comprehensive evaluation of the financial management activities of the combine or enterprise. Based on this evaluation, he will draw the necessary conclusions for further improving the cost effectiveness of financial management; for enhancing fiscal responsibility; for the efficient use of all financial resources and the comprehensive utilization of economic accounting procedures in the mobilization of the labor force.

(2) The evaluation of financial management activities will also include an analysis of costs; of inventory and credit management as well as the formation and utilization of capital funds. Reasons for cost overruns, for the development of non-plannable costs as well as for overdue debts or obligations will be explained and proposals will be submitted for the implementation of socialist economy measures.

(3) Decisions pursuant to existing regulations<sup>1</sup> are to be made in the case of non-fulfillment of obligations against the national budget, overdue payment of bank credits, deliveries and services and the formation of separate financial reserves.

(4) The chief accountant will report on how industrial prices are being utilized to influence the efficiency of the reproduction process. He will show that pricing programs are aimed at lowering costs; making more efficient use of capital and resources; producing goods in a market-oriented fashion; raising product quality and steadfastly maintaining price discipline.

#### Article 15

The chief accountant will report on the effectiveness of preventive programs in the combines and enterprises in promoting law, order and safety as productivity-enhancing factors. He will report on how the 'targeted' application of scientific-technological methods increases functional safety of production equipment and prevents fires, breakdowns and interruptions. He will show that job-oriented training of workers collectives helps avoid accidents at the workplace and improve their handling of the physical and financial resources entrusted to them. The managing director will review the efficiency of the internal control system of the combine or enterprise for the protection of government property.

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1. Ordinances in effect at this time include the ordinance of 28 Jan 82 on further improvement of economic accountancy based on the plan and ordinance of 14 Apr 83 on budget guidelines for state-owned economy.

## Preparation, Implementation and Evaluation of Annual Accountability Reports

### Article 16

(1) The managing directors are responsible for the implementation of the annual accountability reports by the directors-general of the combines and the directors of the enterprises. The execution of the annual accountability reports of the directors-general of the foreign trade enterprises is undertaken in coordination with the minister for foreign trade.

(2) The annual accountability reports are to be executed during the first quarter of the year. The actual date will be set by the managing director.

(3) The directors-general of all combines are obligated to submit annual accountability reports. Taking plan fulfillment and the results achieved during the initial stages of the plan into account, the managing directors will decide which directors of enterprises do not have to submit accountability reports. The fact that the director of a given enterprise has been authorized not to submit the annual accountability report does not absolve him from the duty to submit one to the workers collective.

(4) The chief accountant will prepare an annual report that analyzes plan fulfillment and offers suggestions for further improvement of performance. The annual accountability report will be based on these findings as well as on the annual statement of accounts as verified by the government accounting office; on the statement of gains and losses; on reports reviewing cost and pricing programs; on the annual science and technology statement; on the results of the review conducted by the state budget office and the chief bookkeeper and, in the case of the combines, on an assessment by the national bank on financial management.

(5) The chief accountants are authorized to ask the managing director to make decisions during the course of the accountability process which they themselves cannot make in order to guarantee the current plan and the plan for the year following or other matters. Toward this end, they will submit proposals for economically efficient solutions to the managing director as part of the preparations for the accountability report.

### Article 17

(1) The managing directors will provide the directors-general of the combines and the directors of the enterprises with the data they need to prepare and execute the annual accountability report. Based on the specific situation obtaining in their area of responsibility, they will thereby help determine what the focal points of the annual accountability report will be.

(2) The transmittal of the main points to be included in the annual accountability report of the directors-general of a foreign trade enterprise affiliated with a ministry or some other government agency or belonging to a combine will take place with the concurrence of the minister for foreign trade.

(3) Independent of the chief accountants, the managing directors will undertake their own analysis based on the main points set forth and will do an evaluation of the management practices of the combines and/or enterprises.

#### Article 18

The social and government agencies--particularly the workers and peasants inspectorate, the government budget office, the government fiscal review board, the price control agencies and the government quality control office--are authorized to conduct investigations of their own in support of the annual accountability processes of the combines and enterprises and to submit proposals to the managing directors for the purpose of increasing labor efficiency and the use of economic resources, of developing reserves and maintaining order and safety in the use of government property.

#### Article 19

(1) Those present when the annual accountability report is submitted to the minister or the head of some other government agency include the director-general and the chief bookkeeper of the combine as well as representatives of the State Planning Commission, the ministry for science and technology, the ministry for materials management, the ministry for foreign trade, the ministry for finance, the office for standardization, measurements and product testing, the bank concerned, the office for prices and the committee of the workers' and peasants' inspectorate. The minister or head of any other government agency is authorized to include representatives of other government agencies and directors of the combine in the annual accountability meeting.

(2) Those present when the annual accountability report is submitted to the director-general of the combine, the chairman of the local council or head of the technical agency include the director and the chief bookkeeper of the plant. Representatives of government agencies will be present when the directors of the enterprises submit their annual accountability reports, if this is deemed necessary in the interests of the economy. The social and government control agencies are authorized to be present when the directors of the enterprises submit their annual accountability reports. When a director-general of a foreign trade enterprise which is a part of a combine submits his annual accountability report a representative of the ministry for foreign trade will be present.

#### Article 20

(1) An official record of the submission of the annual accountability report will be prepared which will include the decisions on the activities of the combines and enterprises during the plan year just concluded as well as those for the current year and the measures taken to mobilize reserves and increase performance in the year to come. The record will also include the rules to be followed in the evaluation of the annual accountability reports when they are presented to the workforces of the combines and enterprises.

(2) The measures to be adopted on the basis of the management decisions will be incorporated in the plan and the budget. The managing director will exercise control over their implementation.

#### Final Stipulations

#### Article 21

(1) This ordinance becomes effective on 1 August 1983.

(2) Simultaneously, the resolution of 23 April 1969 concerning the execution of accountability procedures in the state-owned economy, in the local councils and before the council of ministers (GBI. II No 43, p 273) becomes invalid.

Berlin, 23 June 1983

The Council of Ministers of the German Democratic Republic

/s/ W. Stoph, Chairman.

9478

CSO: 2300/1

GERMAN DEMOCRATIC REPUBLIC

BRIEFS

ENERGY CONSUMPTION UP AGAIN--According to the public relations office of the Ministry for Coal and Energy, there was no reduction in energy consumption during the summer of 1983. On the contrary, particularly during the first weeks of the summer in the early morning hours, significant additional demands were made on the energy supply. Thus, during the first week of the summer season, an additional 850 million watt of power had to be provided. As a result, it became necessary to make considerable delays in the repair schedule of the power plants, in some cases even into the winter months. [Text] [Magdeburg VOLKSSTIMME in German 22 Sep 83 p 2]

CSO: 2300/10

TRADE WITH FINLAND TO BE CONDUCTED WITH HARD CURRENCIES

Helsinki UUSI SUOMI in Finnish 8 Sep 83 p 21

[Article: "Hungarian Trade in Free Currencies"]

[Text] A transition to freely exchanged currencies will be made in the trade between Finland and Hungary at the end of next year at the earliest. An agreement was reached on this matter between the two countries at the fourth session of the Kevsot-TTT Joint Commission, which concluded in Helsinki on Wednesday. The obligation to make this transition to free hard currency trade is the result of Hungary joining the International Monetary Fund.

An attempt is being made to regenerate growth in the trade between the two countries, confirmed the commission. Last year Hungary was Finland's largest socialist export country after the Soviet Union, but this year trade has been declining.

Last year the value of Finland's exports to Hungary increased to 363 million markkaa and imports from Hungary to 277 million markkaa. Record levels were reached in exports as well as in imports. Hungary's delegation at the meeting was headed by general manager Tibor Antalpetter and the Finnish delegation was headed by section chief Pauli Opas.

According to the commission, the decline in trade this year has been affected by the unstable international economic situation as well as by the fact that no significant project deliveries were scheduled for the current year.

In addition, the one-sided structure of the trade between Finland and Hungary has been a partial reason for the sometimes even large fluctuations in trade. In certain years, for example, the proportion of lumber products, raw wood, cellulose, paper, and cardboard in Finland's exports to Hungary has been approximately 60 percent. The import side is dominated by ores and metals, primarily rolled steel products.

The most significant projects from Finland's point of view at this time are the delivery of a nuclear power plant simulator to Hungary and cooperation in the area of the dairy products industry. Hungary, for its part, is interested in exporting railroad safety systems to Finland.

In order to further develop economic cooperation, the commission decided to establish a temporary work group to identify those procedures, means, and areas of cooperation in which it would be possible to promote economic cooperation between the two countries in Third World markets.

During the first seven months of the current year Finland's exports to Hungary were valued at 111 million markkaa according to customs statistics or nearly half as much as a year ago at the same time. The value of imports was 136 million markkaa or 14 percent less than in the January-February period last year.

As a result of Hungary joining the IMF it was agreed in the commission that both parties should strive to make the transition from the present clearing-system to free hard currency trade as soon as possible for practical reasons. The commission was unanimous with respect to the fact that this transition occur on 31 December 1984 at the earliest.

10576

CSO: 3617/2

## TIGHT CONTROLS OVER ECONOMY RETAINED IN POST-MARTIAL LAW STATUTE

Warsaw DZIENNIK USTAW in Polish No 29, 22 Jul 83 Item 176 pp 530-533

[Law dated 21 July 1983 on special legal regulations for the period of emergence from the socioeconomic crisis and on changes in selected laws]

[Text] In order to safeguard the protection of the constitutional systemic principles of the Polish People's Republic and the fundamental interests of society during the period of emergence from the socioeconomic crisis, the provision of preconditions for correct implementation of the premises of economic reform, and compliance with legal procedure, the following is hereby decreed:

## Chapter I

## Regulations To Be Effective in the Period of Emergence From the Socioeconomic Crisis

Article 1.1. In work establishments of essential importance for the national economy or the state's defense, and in public utilities and other instrumentalities meeting societal needs, as specified in the listing referred to in Article 6, paragraph 1, the director of a work establishment can extend work time to 8 hours per day, and up to 46 hours per week, if this is necessary for the completion of important economic tasks.

2. The provisions of paragraph 1 do not conflict with labor law regulations allowing application of extended work time standards and overtime, as well as work at night, on Sundays, and on holidays. Hours worked during additional off-work days should not be counted as part of overtime permitted under article 133, paragraph 2, of the Labor Code.

3. Work time standards, defined on the basis of paragraph 1 by the director of a work establishment for employees subject to those standards, are in effect as a replacement of worktime standards specified according to the provisions of labor law.

4. Work performed, in keeping with the definitions of paragraph 3, in excess of worktime standards specified by the provisions of labor law constitutes overtime work. No change is made in the legal force of all comprehensively effective and sectoral principles of remuneration and allocation

of nonremuneration benefits for overtime work performed and on off-work days.

5. The provisions of paragraphs 1 through 4 do not conflict with the special entitlements, resulting from labor laws, affecting work time of pregnant women taking care of small children, underage employees, persons working at jobs particularly detrimental to health, and group I and group II disabled persons.

Article 2.1. If an employee gives notice on a job contract in work establishments enumerated in the listing referred to in article 6, paragraph 1, the manager of the work establishment can, on account of the establishment's special needs, extend the term of notice beyond that dictated by labor laws, however, not exceeding a period of 6 months.

2. The director of a work establishment notifies an employee in writing about the decision specified in paragraph 1 within 7 days of the day of receipt of employee's notice. The employee can, within 7 days following the day he receives notification of the director's decision, present a written withdrawal of his notice which becomes binding on the employer, or he can appeal to the body supervising his work establishment. The filing of an appeal does not delay the execution of the decision.

3. Refusal to perform work activities by an employee whose notice term was extended by an establishment director involves the consequences which the regulations of labor laws and the provisions of this law link with abandonment of a job by an employee.

4. The provisions of paragraphs 1-3 are not applicable to group I and II disabled persons, pregnant women, and women taking care of small children.

Article 3.1. A work establishment can enter into a contractual labor relationship with a desiring candidate only after the candidate's prior submission of a work certificate referred to in article 97 of the Labor Code, attested by an establishment in which the candidate was previously employed. This provision does not apply to persons taking their first job.

2. A work establishment in the nonprivate sector, when entering into a contractual labor relation with an employee who abandoned a previous job or was given summary notice because he was at fault, can grant such an employee only the lowest rate of basic pay prescribed for a given position in an effective position schedule.

3. The rate referred to in paragraph 2 cannot be raised for 1 year. Having consulted the establishment's labor union unit, the director can raise the rate for an employee who showed exceptional performance and worked no less than 6 months.

Article 4. To streamline employment of scholarly-educational employees and to match the level of this employment with the scope of the educational,

scholarly, research, and upbringing mission of the schools, a minister who supervises a given school can decree employment based on a job contract for those employees who, on the basis of the provisions of the 4 May 1983 law on higher education (DZ. U. No 14, Item 113 and 1983 No 5, Item 33), are appointed for specified periods of time. Such a decree may also establish that appointments for specified periods of time received by employees prior to the decree in question becoming effective are converted into labor relationships based on job contracts.

Article 5.1. Hereby suspended are prerogatives to grant new or increase present allotments and other benefits in kind or paid in cash within industrial branches.

2. The provisions of paragraph 1 do not apply to on-the-job regenerative meals or food issued free or for partial payment to those employees whose work either because of its nature or duration requires such meals to be assured.

Article 6.1. By means of a decree, the Council of Ministers determines lists of work establishments which come under the provisions of articles 1 and 2, taking into account national economic needs, the country's defense, and consumer supply.

2. By decree, the Council of Ministers can:

- 1) Institute mandatory job referral affecting selected occupational groups, economic branches, and territorial subdivisions of the country, specifying its extent, timing, and rules of procedure;
- 2) Institute mandatory employment by nonprivate work establishments of specified categories of persons assigned to work by mandatory referral due to societal considerations.

Article 7.1. If, acting on behalf of a work establishment, a person violates the provisions of article 3, that person is subject to a penalty of 10,000 to 20,000 zlotys.

2. The same penalty applies to persons who violate regulations issued on the basis of article 6, paragraph 2.

3. Ruling on cases specified in paragraphs 1 and 2 is done on the basis of regulations on due process in misdemeanors.

Article 8.1. When components of an enterprise's fixed assets are being improperly used, an instituting body sets a deadline for effecting their proper utilization. If the situation is unremedied past the deadline, the instituting body can charge the enterprise to sell its unused individual fixed assets through a bidding procedure specified by the former. In justified cases, the instituting body can rule that such assets be transferred, for a fee, to another organizational unit of the state. The value of fixed assets is to be determined by the selling enterprise's instituting body.

2. If, despite receiving supply guarantees, a state enterprise fails to complete a government order properly accommodated within the enterprise's activity range, to provide goods and services of importance either to the national economy or to meet consumer needs, the enterprise's instituting body can order the enterprise to enter into a mandatory contract to complete the order, according to the principles specified in article 54, paragraph 3 of the 25 September 1981 law on state enterprises (DZ. U. No 24, Item 122; DZ. U. 1982, No 45, Item 289; and DZ. U. 1983, No 36, Item 165).

3. In cases specified under paragraph 2, if a government order applies to a cooperative, such a cooperative can be charged with the duty to enter in a mandatory contract for completion of tasks specified in the order, according to procedures and principles defined in article 71 of the 16 September 1982 law on cooperative legislation (DZ. U. No 30, Item 210).

Article 9.1. A protest against decisions of an enterprise's supervisory body affecting the enterprise, filed by a workforce self-government body or by an enterprise director, as referred to in article 57 of the 25 September 1981 law on state enterprises, or an employee council's resolution affecting an enterprise director's decisions and made on the basis of and in cases specified in article 40, points 1, 2, and 4 of the 25 September 1981 law on workforce self-government in state enterprises, places no restraint on the execution of such decisions.

2. If the activities of a state enterprise workforce self-government body infringe on the order of the law or fundamental societal interests, an instituting body can suspend the workforce self-government body for a specified time not exceeding 6 months and, when warranted by the circumstances, can request the body specified under article 10 to dissolve workforce self-government. While the latter is suspended, its authority passes over to the director of a state enterprise.

3. Workforce self-government organs in state enterprises have the right to appeal decisions specified in paragraph 2 within 14 days to the body defined in article 10.

Article 10.1. Adjunct to the Council of State, a Commission for Employee Self-Government Affairs is established. Its composition is determined by the Council of State.

2. The commission's tasks include examination of appeals and ruling on cases specified in article 9, paragraph 2.

3. The Council of State makes resolutions to define principles and procedures and verdicts in cases mentioned in paragraph 2.

Article 11. In cases exceptionally justified by societal considerations, the Council of Ministers, by way of a directive, can institute: 1. prohibitions on increases in prices of goods and services, excluding cases beyond the control of an economic unit setting such prices; 2. permissible price-increase indexes for specified sets of goods and services.

Article 12.1. To avert disruption in the operations of community services and other services important for meeting basic population needs, provincial people's councils can impose, in an entire province or in part of it, mandatory performance of work by shirkers, as specified in article 3, paragraph 1, and not covered by the provisions of article 5 of the 26 October 1982 law on actions to be taken with regard to work shirkers (DZ. U. No 35, Item 229).

2. The provisions of articles 14-20 and article 21, paragraph 2, and article 22 of the law mentioned in paragraph 1 are applicable, respectively, to persons specified in paragraph 1.

3. The right to impose fines is suspended in article 21, paragraph 2, of the law specified in paragraph 1.

Article 13.1. The chairman of the Council of Ministers can, at the request of an appropriate minister, abolish a statutory resolution made by the Main Council for Science and Higher Education, the Council for Higher Medical Education, the Council for Higher Arts Education, and the Council for Higher Education in Physical Culture, if the resolution conflicts with the law or with the interests of society.

2. To assure conformity of the higher educational authorities' actions with the provisions of articles 1-3 of the 4 May 1982 law on higher education, should such authorities take measures contrary to the law or society's interests or remain inactive to the substantial detriment of the school's scholarly, instructional, or upbringing mission, the minister supervising a higher school can:

1) suspend for a period up to 6 months the statutory entitlements of collegial bodies in higher schools and the rights of other collegial bodies existing in the school, and transfer those entitlements--excluding the power to confer academic titles and ranks--to an appropriate noncollegial body;

2) recall a rector, prorectors, deans (directors of institutes) and assistant deans;

3) appoint a rector and prorectors to vacated positions and grant approval to the rector's naming of a dean (director of institute) and assistant dean; if the minister opts not to use this prerogative, the rector, prorector, dean (institute director) and assistant dean are named by election.

3. If a student or academic educator commits violations causing exceptional societal detriment, comes out against the vital interests of the Polish People's Republic, or is indicted for a violation of public order, appropriate rectors or ministers can suspend a student's academic rights for a specified period of time and can suspend the educator in the performance of his duties. In especially flagrant cases, a rector or appropriate minister can, once clarifying proceedings are completed by a disciplinary spokesman, take the student's name off the register with consequences tantamount to expulsion.

4. Students have the right to associate only in student organizations and societies registered prior to this law's effective date. A minister supervising a school can approve registration by the rector of a new schoolwide organization or student association.

Article 14. Should an educator engage in activities glaringly conflicting with the law or the fundamental educational and upbringing mission of the school, a governor (mayor of a city with provincial rank) can suspend him in the performance of his duties, transfer him to another position, or dismiss him without applying the procedures specified in article 20 and article 23 of the 26 January 1982 law on the Teacher's Charter (DZ. U. No 3, Item 19; No 25, Item 187; No 31, Item 214; and DZ. U. 1983 No 5, Item 33 and No 32, Item 155). A teacher has the right to file an appeal with a disciplinary appeal commission at the appropriate ministry. The filing of an appeal places no restraint on the execution of the decision.

Article 15.1. If an association's executive board operates contrary to an effective law or its bylaws, the supervising body can suspend or dissolve the board. During the suspension or until a new board is elected, the supervisory body designates a temporary board.

2. The provisions of paragraph 1 appropriately apply to student organizations and associations.

Article 16. If required by public safety interests, a governor (mayor in cities of provincial rank) can, for a specified time, extend completely or in part the provisions of the 29 March 1982 law on assemblies (DZ. U. No 20, Item 89; DZ. U. 1971, No 12, Item 115; and DZ. U. 1982 No 14, Item 113) to include assemblies referred to in article 4, paragraph 1, points 1-5 of the above-mentioned law, as well as student assemblies.

Article 17.1. Retained in their legal power are the principles, effective on the date this law becomes valid, for handling foreign exchange resources accumulated in bank accounts of physical persons--Polish nationals possessing foreign currencies--issued on the basis of article 33, point 2 of the 12 December 1981 decree on martial law (DZ. U. No 29, Item 154 and DZ. U. 1982, No 3, Item 18) and maintained throughout the period of suspended martial law by article 9 of the 18 December 1982 law on specific legal regulations in the period of suspended martial law (DZ. U. No 41, Item 273).

2. The minister of finance can by arrangement with the president of the Polish National Bank relax the restrictions affecting the handling of foreign exchange specified in paragraph 1.

3. The provisions of paragraphs 1 and 2 are in no conflict with the provisions of foreign-exchange and banking laws.

Article 18. The formulation "in the transition period until 31 December 1984" in the 8 October 1982 law on trade unions (DZ. U. No 32, Item 216) in article 53, paragraph 4 is replaced by "until the time when requirements defined in paragraph 6 are met."

Article 19.1. The provisions of articles 1-18 are effective until 31 December 1985.

2. By the end of 1984 the Council of State will, on the basis of an assessment of the application of the provisions in articles 1-18, submit to the Sejm the conclusions drawn from this assessment and, if necessary, will motion for shortening the effective periods with regard to the entirety or portions of the law.

## Chapter 2

### Changes in Effective Regulations

Article 20. The 25 September 1981 law on state enterprises (DZ. U. No 24, Item 122; DZ. U. 1982, No 45, Item 289; and DZ. U. 1983, No 36, Item 165) is amended so that article 34 has an additional paragraph 7 with this language: "7. The instituting body of a state enterprise takes indispensable measures affecting an enterprise director's contractual labor relationship with the enterprise, in particular, by determining his emolument and making other decisions connected with this relationship. The instituting body's involvement in such measures with regard to directors appointed by employee councils is effected by agreement with the employee council."

Article 21. The 4 May 1982 law on higher education (DZ. U. No 14, Item 113 and DZ. U. 1983 No 5, Item 33) is amended as follows:

1) In article 44, paragraph 2, a reference to article 36, paragraph 2 and articles 37 and 38 is replaced by a reference to article 36, paragraph 1, point 5, and paragraph 2, as well as articles 37 and 38.

2) In article 169, paragraph 1, point 7, the words "or educational" are replaced by "educational or upbringing mission," and the words "school employee" are to be followed by the added wording "and especially with the principles of operation and school tasks specified in articles 1-3."

3) Article 229 is followed by an added article 229a with the following wording:

"Article 229a. The Council of Ministers can, after consultation with the Main Council, cancel the applicability of certain provisions of the law to the extent resulting from the special conditions of operation of higher naval schools."

Article 22. The words "or other empowered monitoring bodies" are added following the word "inspection" in paragraph 1, article 51, of the 16 September 1982 law on cooperative legislation (DZ. U. No 30, Item 210).

## Chapter 3

### Provisional and Final Regulations

Article 23.1. In the event of the lifting of martial law, instituted by the 12 December 1981 resolution of the Council of State because of state security (DZ. U. No 29, Item 155 and DZ. U. 1982 No 42, Item 276, and later suspended by the Council of State resolution of 19 December 1982 on the suspension of martial law (DZ. U. No 42, Item 275), the provisions of article 17 of the 12 December 1981 decree on the transmittal of trials for certain crimes to the authority of military courts and on changes in the structure of military courts and military organizational units of the Polish People's Republic Prosecutor's Office under effective martial law are not applicable (DZ. U. No 29, Item 157).

2. In the event referred to in paragraph 1, those court cases which as of the day of the lifting of martial law have ceased to come under the jurisdiction expanded for the duration of martial law, of military courts and have not been completed by that date, are to be continued before the courts of their present jurisdiction until their verdicts become legally valid.

3. In court proceedings concerning crimes defined in article 11, paragraph 1, points 2, 3, 5, and 6, and in article 11, paragraph 2, in its part concerning militarized units, of the 18 December 1982 law on special legal regulations in the period of suspended martial law (DZ. U. No 41, Item 273) and in court cases involving other crimes which, as of the date of the suspension of martial law, ceased to come under the expanded jurisdiction of military courts, the provisions of article 17, paragraphs 2-4, of the 18 December 1982 law on special legal regulations in the period of suspended martial law can nevertheless be applied.

Article 24. Court cases initiated on the basis of special responsibility for order which have not been terminated by the day of repeal of martial law are discontinued as of that date.

Article 25. This law becomes effective on the date of publication, provided that the regulations of its chapter 1 are applicable as of the day of repeal of martial law instituted by the 12 December 1981 resolution of the Council of State concerning the imposition of martial law because of state security, and suspended by the 19 December 1982 resolution of the Council of State on the suspension of martial law.

Chairman of the Council of State: H. Jablonski  
Secretary of the Council of State: J. Szymanek

8795

CSO: 2600/1231

## IMPACT OF SYSTEM CHANGES ON MATERIALS MANAGEMENT RAPPEL

Warsaw GOSPODARKA MATERIALOWA in Polish No 11, Jun 83 pp 300-302

[Article by Andrzej Soltysik: "Does the Economic System Encourage Sound Management of Materials?"]

[Text] Modifications instituted in early 1983 in Poland's economic and financial system provoke varied opinion and comments because, apparently, there are as many formulas for reform and convalescence of the Polish economy as there are economists, each with a separate view.

The consequences of these modifications for materials management have been interestingly presented by Janusz Elbanowski.<sup>1</sup> A reading of his text may lead to reflection, however. In my opinion, the author pays too little attention to possible reactions of enterprises (operating under their own microeconomic cost-accounting procedure) to these modifications. For similar reasons, numerous formal and legal adjustments are introduced with total optimism that later proves in practice to have been unsubstantiated. Of course, it is impossible to predict all enterprise reactions to changed conditions because too many factors are at play. Still, a degree of likelihood can be reached in defining behavior resulting from the principles of cost accounting and from the specific nature of central control instruments.

Furthermore, J. Elbanowski, influenced by current needs and requirements, treats as secondary the reform's long-term and essentially primary objective, which is to effect a more extensive release of economic mechanisms and reserves inherent in the sphere of broadly conceived motivation. If it is asserted that "the protracted transition period for implementation of the reform, operational inefficiency of economic mechanisms, etc." mandate the introduction of administrative controls, then this should lead to reflection on what is the cause and what is the effect in this case.

Distrust of broader applications of economic instruments, occasionally coupled with ignorance of their characteristics, results in many cases in pressure for the reinstatement of proven command modalities. This is certainly no way to set those mechanisms in motion and revitalize the economy.

1. J. Elbanowski "1983 Systemic Changes and Materials Management," GOSPODARKA MATERIALOWA No 9/83.

Of course, the current situation requires certain interference with the principle of the 3S's on the part of the economic central offices, but last year's experience supports the assertion that in many cases this is a pretext, a screen behind which bridgeheads for the old system are being formed.

Let us deal with each particular solution discussed by J. Elbanowski, since the comments accompanying them require some additions.

#### Principles for PFAZ [State Vocational Activization Fund] Deductions

The instituted changes are undoubtedly advantageous when compared with data for last year. A link was created between increment in the emolument fund and amounts to be deducted for PFAZ on the one hand, and actual production results on the other. This is an essential fact.

At the same time, net sold production was reinstituted as a measure for allowing reductions in quantities deducted for PFAZ. No matter what is said about the necessity of this step, we still are faced with an alteration of the makeup of the system. Last year's experience indicates how important deduction volumes are for the enterprises. Economic units will be forced this year to adjust their tactics, and perhaps their strategies as well. It will be necessary for them to reorient themselves toward two objectives, profit maximization (within limits set by income tax) and net sold production. The question that arises in this connection is: are these two mutually nonconflicting directions and will they always be so?

In this context, is there any substantiation for the view that this PFAZ deduction formula fosters vigorous production growth? If other factors (and their impact) are disregarded, this view is doubtlessly correct. It is necessary to remember, however, that income tax has retained its progression (though no longer as drastic as before), which produces definite consequences. The structure of this tax continues to incline producers toward stagnation.

A potential replacement for the sold net production measure is seen in sold production, computed in natural units or in terms of sale prices. These are typical gross measures. As such, they are bound to raise objections specifically in connection with the streamlining of materials management. Their potential applications should be restricted to very special cases.

Another issue is the proposed establishment of a corrective 0.5-0.8 factor. This is a high-risk solution, primarily because sufficiently precise criteria justifying this adjustment are lacking. It offers broad opportunities for subjective judgment, operation of various pressure groups, bargaining, and opportunist exploitation of this possibility. In other words, it is an opening for discretionary actions unrelated to the operation of economic mechanisms.

Net production, if applied as a measure (along with the corrective factor) determining increases in the emolument fund free from PFAZ deductions, makes increases in the cost of materials unprofitable. Apparently, more caution

would be advisable in the conclusions about net production resulting in decreases in the cost of materials. The view presented by J. Elbanowski is limited to the impact of the sold-production measure, thereby disregarding a broader context which in my opinion is indispensable.

J. Elbanowski's quantitative example omits two important components: the influence of income tax and the unmeasurable influence of the justified-cost category. If the latter instrument is incorporated in the system, it will cause excessively high cost estimates with subsequent cost stabilization, a trend likely to dominate.

#### Changes in Pricing Principles

A welcome reception should undoubtedly be given the regulation<sup>2</sup> which provides for current prices to be maintained if recycled raw materials or reduced-grade materials are used (without detriment to product quality) in the manufacture of articles to be made from full-grade materials and sold at controlled prices. This solution accommodates stipulations of long standing. It is desirable to expand the scope of application of this regulation to include official prices as well as controlled prices (as stated in directive 12/82 by the minister for price affairs). This would also facilitate settlement of similar claims made by producers when setting contractual prices. In keeping with the legislation on prices, products in the manufacture of which recycled materials are used are to be sold at contractual prices.

While this solution is favorable, it is difficult to predict its impact on industrial production. The technological possibilities for primary materials substitution by reduced-grade or recycled materials are fairly limited, given the existing production engineering and machinery. It should be expected, therefore, that noticeable advances in this area will be somewhat delayed, for it is necessary to develop appropriate conditions for the extensive utilization of recycled materials. In any event, it should be appreciatively noted that the central authorities are finally beginning to create sound preconditions for activating reserve resources of recycled raw materials.

On the other hand, mixed feelings are provoked by another regulation in the same directive decreeing that producers whose costs of production are lower are free to establish a controlled price increased by half the difference between a controlled price of a given product, set by the most "expensive" producer, and a price determined from their own estimates. The computation of such prices is complicated and is certain to place a major burden on enterprise management and regional price offices. Furthermore, "silent partnerships" are likely to be developed by enterprises to exploit this regulation for additional unjustified gains. It will be in the common

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2. Minister for Price Affairs directive 12/82 on the principles for setting regulated prices of goods and services.

interest of manufacturers of such products to maintain a single enterprise's production cost and prices at the highest level possible.

Aside from an evaluation of these modifications, a comment should be offered on the price system as a whole. We are faced with a number of alarming developments in the area of stimulation of enterprises to manage their materials efficiently.

The scope of application of controlled prices has been maintained or even broadened. The procedures followed in determining such prices are known to be a virtual inducement to inflate prime cost when estimating. Where production processes are substantially complex, verification of prime cost is extremely difficult, if at all possible. Concurrently, pricing principles for controlled prices do not promote decreases in production costs.

Partially provoked by the mass media, an aura of societal disapproval has evolved around contractual prices. By giving prominent coverage to pathological instances, the principle under which such prices are set on the basis of supply and demand is distorted (consciously or unwittingly). The multiplicity of price monitoring bodies (Ministry of Finance, State Price Inspectorate, NIK [Supreme Control Chamber]) has created a situation in which self-protecting producers set contractual prices on the basis of a cost method, obviously inflating (if possible) prime cost levels in their estimates. Any interest in decreasing such costs is therefore out of the question. In effect, the principal advantage of application of contractual prices is nullified. (I disregard the impact of monopoly and producer's market.)

In turn, official prices are largely unprofitable to producers. This involves necessary subsidizing of production with such prices.

In sum, the situation in price setting offers faint hope of revitalization in production and improvement in economic results via cost reduction.

#### Income Tax Discounts

In its 1982 form, income tax encountered highly critical appraisal on the part of economists and managerial personnel in enterprises. A widespread preference was expressed for the linear function of this tax, since progression proved to be a counterincentive to production increase and substantially limited the effects of economic financial incentives.

The present changes in the tax structure are halfway measures, since progression was retained and only slightly mitigated. Additionally, certain product-centered discounts were introduced.

The retention of progression as a general principle attests to the central authorities' permanent fear when faced with more thoroughly activated mechanisms of motivation. Despite some justified apprehension, persistence in forcing this approach is, indeed, controversial in the reform's second year

in effect. Stimulation of initiative and resourcefulness in the operation of economic units is a protracted process, the more so because of decades of mandatory command systems. This process is difficult and complicated. However, the sooner we take this road the better, because the current economic outlook often provides reform opponents with arguments.

Tax discounts will not solve the problem, though their impact works in the right direction. As correctly pointed out by J. Elbanowski, this impact is relatively narrow in scope. In effect, we are dealing here with solutions that are largely cosmetic.

Tax deductions on profits allocated for investment and development (including use of reduced-grade, waste and recycled materials) tend to extend the time frames in which enterprises operate. Computation of profit on an annual base has created uncertainty about the attractiveness of development activities for enterprises. A few specific questions arise in this context, primarily whether approval of contemplated ventures by an appropriate instituting body is genuinely necessary. It appears that a bank's approval is totally sufficient. A second question is the unclear status of subsequent verification of achieved results and financial settlements.

To enhance enterprise interest in the use of recycled materials, some consideration should be given to possibilities of tax reductions or full tax exemption on that portion of profit which is obtained through the use of recycled materials in production. This would eliminate concern with production effects removed in time, thus facilitating supervision over the legitimacy of allowed discounts.

#### The Monitoring of Price-Setting and Cost Estimates

The introduction of a justified costs category into the system in a sense confirms the fears expressed above. Both the effective principles of price setting and the progressive income tax formula favor the enterprises' "run" into costs.

Apparently, the scheme for verification of costs in industrial enterprises formulated in the above-mentioned directive of the minister of finance is unlikely to be implemented successfully and provoke the desired results. The three premises for this prediction are based on a contradiction between purely administrative action and the sphere of operation of costs and prices, in other words, economic categories:

--guided by their own current and long-term cost accounting procedures, enterprises will tend to inflate their prime costs when determining standard levels for justified costs;

--verification of justified costs will require an enormous monitoring machinery which will be highly unreliable anyway because of the complexity of production;

--price fluctuations are frequent, and shortages of material will mandate the use of substitute materials and engineering techniques, as noted by J. Elbanowski.

However, placing hope in the observance of factory quotas will prove to be illusory, since compliance with such quotas will not be genuinely tied to an enterprise's interests.

The modifications inserted into the principles by which the economic-financial system has been operating in 1983 are in many cases centered on improved management of materials. This is certainly an advantage, attesting to the central authorities' proper estimation of the importance of this problem. However, all of them are partial solutions, halfway measures at best (e.g., the changes in income tax). Each of these segmental changes (essentially justified) produces a number of side effects which can completely defeat its significance.

Moreover, unfavorable marks should be given to solutions of an administrative nature (e.g., in price setting). As a rule, they are resorted to under the influence of (indeed very important) problems of the day. However, if there is the intention to see the reform through, the old practiced methods should not be constantly reverted to, even though they are effective in the short term. All solutions of this kind rapidly become rigid, thus warping the operation the instruments of economic mechanisms.

The modifications in question are largely substitute measures with limited potential for motivation. Instead, they render the rules of the game considerably more complex, making the system less easy to read for enterprises as well as for the central authorities.

To conclude these remarks, I fully subscribe to J. Elbanowski's final comment: "Partial solutions and additions to the system are no substitute for a spontaneously operating economic mechanism and direct interest in profit maximization, profit being the single exclusive source of emolument and financing of activity for the autonomous, self-governing and self-financing enterprise." The road to this goal is still long and hard.

8795

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# PUBLIC URGED TO IGNORE 'RUMORMONGERING' OVER PRICE POLICIES

Warsaw TRYBUNA LUDU in Polish 30 Aug 83 p 3

[Article by Andrzej Leszczynski: "An Invitation to Realism"]

[Text] Whenever a change in prices or taxes comes into view it wholly engages the attention of society and even arouses anxiety. This happens everywhere in the world, especially in situations of unrestrained inflation. In Poland, however, these matters make themselves felt rather peculiarly.

This is so because we have to adjust ourselves to a completely different price and wage policy from that to which we were accustomed for many years. For example, we got used to stable prices. From 1960-1980 the index of retail prices of goods and services purchased by consumers increased by 78.8 percent, i.e., by somewhat less than 80 percent over 20 years!

The stable prices were to protect the people's living standard. Unfortunately, this high-minded intention failed to take account of economic causalities and realities. For could we with impunity keep prices down whereas costs of acquisition of raw materials, producer materials and components are on the sharp rise in the whole world?

The transition to a new, economically realistic price policy was a shock to many. The great rise in prices, in a short time, that occurred after the February 1982 mark-up had not been experienced in its adult life by the generation of present family breadwinners.

There was an essential conclusion to be drawn from this sudden rise in prices. In order not to allow the occurrence of a similar shock in the future, one cannot maintain rigid prices. They must flexibly change, keeping pace with changes in manufacturing costs, and after saturation of the market with goods they should adapt to the laws of supply and demand.

Somehow this truth has difficulty penetrating social consciousness. Any reference to prices suffices to spread woeful news about mass price advances, together with lists, deadlines and amounts. I have not heard that anyone from the government has spoken recently of the maintenance of absolutely stable prices. On the other hand, measures aimed at checking the unrestricted and unjustified upward movement of prices have been introduced in the Sejm and government.

Attempts are being made to determine in the annual plans an approximate price-rise ceiling adjusted to the increase of the people's income, which has a certain relation to a planned national income in real terms.

In the Sejm law of 21 July 1983 on special legal regulations for the period of emerging from the socioeconomic crisis, article 11 stipulates that in cases especially justified by social considerations the Council of Ministers can by executive order introduce prohibitions on price rises; there is also envisaged the possibility of determining admissible price-rise indices.

This was followed by the decree of the Council of Ministers of 25 July 1983 prohibiting the raising of contractual prices, prices of producer and investment products and goods manufactured by units of socialized farming, not justified by external considerations. This constitutes a barrier against a price race on goods offered for sale on the market.

The price license of enterprises is also to be opposed by other concrete measures. For example, the introduction is being envisaged in the next year of the so-called categories of justified and nonjustified costs, which is supposed to eliminate attempts to sink into prices the indications of one's own careless management. Moreover, the inspectorate of the Office of Price Affairs is especially sensitive to anyone charging exorbitant prices.

In general, price fluctuations are not excluded but they are reduced to a limited range and amount. The purpose is to reconcile the economic reasons for price rises with social arguments for protection of the living standards of families.

It is worthwhile to understand this in order not to upset oneself and others with stories of alleged horrible price increases, and not to give nourishment to the hostile political opposition that tries to discount every, even if marginal, sign of discontent, against a background of prices and wages as well. For wages are the second question that is intensely discussed at present. In this matter, too, many misunderstandings accumulate.

Attempts to tie wages to results of labor are being opposed by the inclination to equalize wages in accordance to the slogan: "we all have the same stomachs." Yet this sort of wage leveling would virtually wipe out all material incentives to a more efficient labor. It is worthwhile, I should think, to contrast this saying about equal stomachs with an equally popular, if not more so among the people, proverb about labor and cakes.

We should add that wage policy, to be able to play a positive role as a motivation to better work, cannot help social policy with typical and during the past 2 years considerably expanded forms of allowances, reliefs and benefits. The system of compensations for children and nonworking wives virtually revolutionized the whole system of family benefits. I am not saying that it is possible to live on family benefits but there is no doubt that they are a component of income to be reckoned with, especially in families with numerous children, which as a rule are more apt to be in need.

It is interesting that the fears of taxes coexist with egalitarian public feelings in our society. They can be heard even in those families which are not subject to equalization tax, turnover tax or any tax at all. Nevertheless, to a certain extent this can be explained by the extremely complicated form in which the assumptions for these taxes were formulated. First of all, however, I believe that these fears are typical of persons who live in difficult conditions, which are difficult to tolerate and from which they would like to save their families and their loved ones.

Under such conditions nervousness is understandable. Sometimes one can even get upset by a formal oversight, such as when wages are not quite exactly counted, or when their calculation is unclear, bureaucratic. These and other infringements can easily cause irritation and conflict, and an important task of party and economic workers lies in providing clear answers to questions preying on people's minds and a clear explanation of the price and income policy.

In the difficult situation of the slow emergence from the crisis, price and wage problems, which are always socially important, assume a special significance. No wonder that many grievances, bitterness and discontent accumulate around these matters. They are being used by the political opposition to sow unrest. This is being done by those who not long ago, by their demands of wage increases at any price, contributed to upsetting the market, and who in the matter of prices were unable to present any program.

Let us try to look realistically at the new shape of price and income policy, a price policy that cannot disregard economic realities and an income policy that ties wages to labor results. The understanding of these assumptions will allow us to look more calmly at our prospects and realistically to appraise the meaning of provocative insinuations. "More calmly" does not mean as yet, unfortunately, without concern for daily existence, without difficulties characteristic of the period of emergence from the severe crisis. But, it means precisely more calmly without a feeling that the foundations of the family existence are in danger.

1015

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MINISTER DISCUSSES CURRENT, LONG RANGE PROBLEMS IN DOMESTIC TRADE

Bucharest COMERTUL MODERN in Romanian Jul-Aug 83 pp 1-6

[Article by Ana Muresan, minister of domestic trade]

[Text] During the current five-year plan, the domestic trade activity follows the major orientations for the country's socioeconomic development, established by the 12th Congress and the National Conference of the Party, as well as the guidelines, indications, and tasks received directly from Nicolae Ceausescu, secretary general of the party, for improving the conditions under which the population is supplied, and for continuing to improve the available goods and services to fill the consumer needs of the workers and all citizens of the nation.

For those of us who work on the comprehensive task of improving the standard of living of the population, the decisions adopted by the National Conference for the continued development of our national economy as a foundation for a better quality of life, are of maximum importance. In this respect, the secretary general of the party indicated in his masterly report presented to the high communist forum, that "as a whole, under the difficult conditions of the international economic situation, when many countries take measures to reduce consumptions and incomes, we will continue to assure higher incomes for workers and the population, and increase the material and cultural well-being of the people, as a supreme goal of the party's policy, the essence of the multilaterally developed socialist society which we are building in Romania."

For the 1983-1985 period, the documents of the National Conference estimate that the possibility exists to meet as closely as possible the rates stipulated in the five-year plan for the development of the country, and that all forces must be mobilized toward this goal. Emphasis will be placed on the intensive development of all branches of activity, as well as on higher production quality, higher labor productivity, and higher economic efficiency.

In order to assure the conditions necessary for achieving the objectives of the policy to raise the standard of living and the quality of life, the National Conference adopted a program for territorial self-management and self-supply, so as to provide the population with industrial and agricultural food products, and with services during the 1983-1985 period, a program which also defines the activity of socialist trade during the same period.

During the building of socialism, as an expression of the party's special concern and constant interest to best satisfy the needs of the workers, domestic trade underwent a powerful development and fundamental transformations in its activity. It is particularly relevant in this respect that the present commercial network is composed of about 80,000 retail and public food service units, covering an area of about 8.8 million square meters, which is over 2.5 times that of 1965. Many qualitative changes have occurred through the years, illustrated among other things by the fact that about two-thirds of the country's total commercial network was created during the past 18 years.

A leading role in the general and steadfast effort to develop commercial activities is played by the consistent concern to make available to the population a selection of goods that is continually and substantially being expanded, modernized, and diversified. Once again, the expressive force of figures shows that from a total retail volume of 63.7 billion lei in 1965, we have reached a level of 251 billion lei in 1982.

The development and diversification of the agricultural and food industry production have led to a significant increase in the quantities of food products sold to the population through the socialist trade network. For non-food products as well, the population's purchases have greatly increased, with direct effects on higher comfort and level of civilization. It is conclusive in this respect that during the 1966-1982 period socialist trade has sold the following: 6.4 million radios, 5.6 million television sets, 4.1 million refrigerators, 2.9 million washing machines, 727,000 automobiles, furniture valued at 82.4 billion lei, clothing worth 146 million lei, 108 billion lei in knit goods, and over one billion pairs of shoes.

In order to continue to raise the material and cultural level of the people, the National Conference adopted new measures aimed at increasing the population's income, concurrent with providing a larger variety of more diversified and higher quality goods. Of particular importance is the decision to increase 1984 real salaries by 5 percent with respect to 1980, an action that begins this year and is accompanied by measures to assure the stability of prices for goods and of tariffs for services.

This will create increasingly better possibilities to satisfy the various consumer needs of the population, the task of socialist trade being to make a greater contribution to the successful completion of the objectives of the current five-year plan, and of the provisions of the program for territorial self-management and self-supply. Decisive in this respect will be the manner in which all the socialist trade personnel will act to fulfill in an exemplary fashion the 1983 plan tasks, which can be summarized by a total volume of goods sold amounting to 268 billion lei, which is 3 percent more than in 1982.

This is not merely a quantitative task, since it also requires a maximum mobilization to achieve a new quality of labor in trade, and on this basis a greater contribution to the branch in which we work to improve the quality of life of all our nation.

To achieve a new quality in supply, we must start from the principal consideration that commercial activities must be pursued under conditions such that the products of our industry and agriculture will reach buyers in the quantities and varieties that are in demand, and in the most appropriate manner and time.

It is essential that we conduct a constant activity to obtain all the planned and contracted stocks of goods. In close collaboration with suppliers, all commercial enterprises must receive the full amounts and varieties of goods stipulated in contracts, so as to satisfy at a high level the needs of different categories of consumers.

An always current task is to assure the timeliness and continuity of supply for all commercial and public food service units, while judiciously distributing the available goods among counties, cities, workers' centers, neighborhoods, and units. Of course, in firmly applying the principles of territorial self-management and self-supply, the population's supplies depend heavily on the actions taken by each commune and city, in every county of the nation, to completely fulfill their production tasks and deliver products to the state fund. In this respect, commercial agencies must be more exacting with local producers, and devote greater attention to the superior exploitation of the resources existing in their zones, by promoting for sale those products which do not involve raw materials or materials that are obtained at the central level.

To improve the population's supply of agricultural products, we must provide a balanced diet, diversify products on the basis of new kitchen recipes, and make greater use of fish, vegetables, potatoes, eggs, noodles, and fruits; during this year, we must achieve an average consumption of at least 5 kg of vegetables and potatoes for 1 kg of meat.

To improve the population's supply of industrial products, and to achieve a better quality of labor in this sector, it is extremely timely to increase the stock of goods in cooperative and state retail stores, by encouraging deliveries from storage and directly from suppliers, in accordance with contracts.

Since the population's consumption needs are satisfied with actual products whose quality features are well defined, better quality control at the time goods are received is a constant objective of trade workers, an objective which must receive maximum attention at this time.

It is known that continuity in sales also significantly depends on the manner in which stocks are formed, in which products are safeguarded, and generally, in which proper management is assured for the goods supplied by producers. We mean in this respect the solution to such problems as: forming and maintaining stocks of food products at a level which will assure steady sales; constant supply of the entire range of industrial products; adapting deliveries to markets as a function of stock levels and the population's demand; organizing fairs for redistributing industrial goods among enterprises and counties; establishing appropriate foundations for proposals to sell goods, and encouraging the sale of goods that sell slowly or with difficulty.

One very important task is to assure a high level of service to buyers, requiring attention to: the development, location, specialization, and modernization of the commercial network; providing adequate tools and equipment; promoting modern methods of sales, as well as attractive presentations and displays of goods; and the proper conduct of seller-buyer relations.

We have the capabilities not only to build new commercial units, but also to more efficiently use the present technical and material basis of our socialist trade. It is most important to fulfill the program for establishing new specialized stores for industrial goods, as a function of comprehensive needs, or of products destined for various categories of consumers.

We must continue to act to expand street selling under proper organizational conditions, along high traffic arteries and zones, in markets and fairs.

In order to improve the quality of labor in the socialist trade, we must make better use of the leverage provided by vesting the material interests of the personnel. In the light of the orientations and tasks outlined by the party and state leadership, we will expand the use of work compensation agreements, together with measures aimed at increasing the cooperative responsibility of each trade worker.

The quality of service to buyers can and must also be decisively improved by providing training as well as professional and political upgrading for each trade worker, and by a constant activity of instruction and education which must be conducted at all levels of commercial organization.

Decisive action in these directions will create the necessary premises for assuring proper and civilized service to buyers, in keeping with the demands of socialist ethics and equality, so as to achieve a true constructive and efficient dialog between buyers and trade workers.

We must constantly expand our communication with the citizenry, and better organize the activity of consumer representatives' councils, so as to learn in time of changes in the population's demands.

The consistent application of the new economic-financial mechanism in each commercial enterprise and unit, represents a decisive direction of action to achieve a better quality in our work, and increase the economic and social efficiency of commercial activities. Reduction in traffic costs and higher profitability are objectives of the first order, for which commercial and public food service enterprises must monthly analyze their economic and financial indicators, as a means for meeting the provisions of income and expense budgets.

In approaching the longer range problems in the development of domestic trade, we are before anything else, concerned with finding the most appropriate responses to the new demands. In the forefront undoubtedly, will be the many implications of the modern technical and scientific revolution on lifestyles, the evolution of the population's needs, and the many ways to meet these needs.

I would like to mention some features which could become part of a future evolution of our country's domestic trade; a fundamental fact in this respect is that this evolution will fit into the broad framework of the national economy's overall development, whose ultimate goal is to raise the standard of living and continue to improve the quality of life of the entire nation--a basic objective inscribed in the RCP program for building a multilaterally developed socialist society and advancing Romania toward communism.

The population's need system will undergo constant structural changes, with the demands of modern life and the influences of technical and scientific progress creating new needs as well as the means to satisfy them.

Under these conditions, socialist trade will have to be always up-to-date, aware of these changes so as to adapt most efficiently either from a long term perspective, or most often on the spot. It is not solely a matter of adapting trade to needs, but in a large measure of playing a very active role in rapidly processing what is new, and orienting and encouraging the population toward the consumption of new products and services that better satisfy its needs. Either way, I believe it is essential, as a function of changes in the need system, for socialist trade to intensify its concern to satisfy not only specific needs, but increasingly, comprehensive ones as well. This is a trend which we recognize at present, and which we must develop in the future.

In achieving this objective, a first order contribution must be made by scientific research, through a high quality, systematic activity of investigation, analysis, and forecasting of changes in the population's needs, consumption, and demand. It is for instance very important for scientific research to better identify, in time, transformations in the need structure, and to measure more rigorously the distribution of a given group of needs among various segments of the population. Similarly, research can and must characterize substitutes and mutually complementary products in various large categories of needs, between the demand and consumption of goods on one hand, and that of services on the other.

Once more, we stress the need for domestic trade to constantly adapt the structure of goods to the evolution of the population's needs and preferences.

In the food products trade, it is necessary now and for the future, to promote products that meet the needs of a scientific diet, that have high nutritional value, keep well or can be canned, and in general, whose selling form does not merely fulfill the function of food product as such, but also that of a service, easing the task of food preparation.

Also to be considered is the need to more rapidly develop public food service in all its complexity, both for mass food supplies and for recreational meals.

In the textiles and shoes trade, the supply of goods will have to be structured so as to assure the availability of multifunctional products, of products more suited to the specific demands of various segments of the population, and of products that are highly fashionable and at the same time quite capable of avoiding uniformity.

A significant role will continue to be played by socialist trade in satisfying needs for hygiene, health, instruction, and culture, so that the volume and structure of the merchandise will include a broad range of products reflecting the strong differences in the people's demand in this field.

Another fundamental problem of domestic trade, independently of the sector of goods, is the long range, continued development and improvement of product marketing by classes of quality, with strict dependence on the principle of distribution according to the quantity and quality of work.

One aspect whose achievement will have to acquire a new value and increasingly efficient solutions, is the development of the commercial network along a unified and modern concept, both in urban and rural areas, based on a scientific study of consumption needs in each zone. Attention will have to be constantly focused on the effective adaptation of the distribution network through a sustained promotion of innovation in commercial techniques. The practice of a modern trade with advanced forms of service, must of course seek maximum facility in the purchase of goods, with less time being devoted for this purpose, concurrent with reduced physical effort on the part of commercial workers.

Modifications both in the demand structure, and in the population's buying habits, impose a revision of inventories by types of units. It is necessary in this respect to increase the number of large department stores and other units with extensive floor spaces of specialized products (Children's House, Everything for the Young, Furniture House, Sports House, stores for agricultural and gardening goods, and stores for luxury items). Also to be expanded, is the network of units specifically intended for public meals (cafeteria-restaurants, boarding houses, microcafeterias, and so on).

In the vast process of modernization of the commercial network, an important spot must be assigned to the reconstruction of downtown areas in cities, especially by creating pedestrian areas and maintaining areas of historical interest. At the same time, the modernization of the commercial network seeks, as necessary for the greater economic and social efficiency of commerce, to promote and expand various modern forms of selling (self-service, free selection of merchandise, sales based on models, automation, and mail ordering).

The development of the retail network must also aim at the continued standardization of distribution networks, which implies the following: mechanization and automation of merchandise transportation from producers to stores; coordination of the means of transportation, and possibility for its specialization; integration into the distribution process, of all branches of the national economy which participate in producing and circulating the goods necessary for the population (joint solutions for packaging, transportation, and storage problems).

Another priority goal of commercial development will have to be the expansion and diversification of the additional services offered by stores (ordering, home delivery, clothing alterations, installation and assembly of furniture and other durable goods at the buyer's home, home decorator service, and so on).

At the present stage and for the next two decades, our country's domestic trade is asked to contribute ever more significantly to achieve the party's economic and social policy, to further raise the cultural and material standard of living of the population, and to improve the quality of life of our people.

11,023

CSO: 2700/306

# PLANS FOR DEVELOPMENT OF AIRCRAFT INDUSTRY

Bucharest STIINTA SI TEHNICA in Romanian Aug 83 pp 2, 3, 29.

[Article by Lecturer Dr Florin Zaganescu, Chief engineer of the National Center of the Romanian Aircraft Industry and Scientific Secretary of the Commission on Astronautics of the Romanian Academy: "Fifteen Years Since the Revival of a Modern Romanian Aeronautical Industry. The Romanian Aeronautical Industry Revives an Exceptional Tradition."]

[Text] The Romanians have unique traditions in the design and construction of aircraft and aircraft engines, contributing inventions which formed the basis for the advent of aviation, while their concern with the technique of flight using jet engines dates back to the Middle Ages. These traditions have placed our country among the nations which have made decisive contributions to the national and international heritage with original solutions in the course of conquering the ocean of the skies and even outer space. Today, as the Romanian aeronautical industry capitalizes in a superior manner upon the tradition which we have in this area, benefitting from the altogether unique conditions which have been turned to good account by our socialist society, we think with gratitude of the attention and parental concern with which Comrade Secretary General Nicolae Ceausescu mapped out, from the rostrum of the Ninth Party Congress, the task of reviving this industry in accordance with our socialist economy. Today, as we complete fifteen years since the founding of the modern Romanian aeronautical industry, a short review of the achievements is in order, accompanied, of course, by what is usually called an outline of the directions to follow and the fulfillment of the duties which fall to us.

As the worthy and productive successor to the highly valuable achievements promoted by Traian Vuia and Henri Coanda, by the constructive genius of engineers Aurel Vlaicu and George (Gogu) Constantinescu, of the pioneering achievements of the inventors Henri August, Gheorghe Ferekide, George Varlam Ghitescu, Ion Paulat, Partenie Crisan, Filip Mihail, George Fernic, Grigore Briscu, Gheorghe Botezatu, Ion Stroiescu, Nicolae Ionescu Saru, C. N. Gheorghiu, etc., the Romanian aeronautical industry finds itself after fifteen years in the most fertile period of its development.

Starting with the scientific concept concerning the role of the aeronautical industry as a stimulating factor for technical, economic, and social progress, while also representing a means for insuring the independence of the socialist fatherland, our Party, and Comrade Secretary General Nicolae Ceausescu personally, stimulated Romanian aviation with its concepts, opening wide, at the same time it was opening the Ninth Congress, new paths for the rebirth and development of Romanian aviation on new and superior levels.

Thus, the year 1968 marked that essential turning point in the development of aerospace activities in Romania which was essential both historically and socially: at the initiative of the secretary general of the Romanian Communist Party there were established the Industrial Central for Aeronautics, presently the National Center of the Romanian Aircraft Industry, as well as the now well known INCREST (the National Institute for Scientific and Technical Creation) and the Romanian Commission for Space Activities (C.R.A.S.) which is subordinate to the National Council for Science and Technology. Thus, within the INCREST sections and laboratories, there are carried out all research and design activities leading to the aerodynamic conception, design, and testing of structure, etc., for all aircraft of indigenous design which are then produced in series in the production units of the National Center of the Aircraft Industry. The Institute's exceptional endowment of specialized equipment and personnel has allowed it to undertake the most complex projects involving jet aircraft.

The results soon became apparent, and the aims began to materialize: existing production facilities were specialized and enlarged; new units for the construction of jet aircraft and jet engines were built and quickly put into use; the first center for flight testing of aircraft, with world-level equipment, was constructed; and there were undertaken broad and realistic programs for construction of aircraft of indigenous design as well as those designed with foreign collaboration. As a result of these correct economic policies of development of all existing production facilities and of absolutely necessary and efficient investments, the modern Romanian aeronautical industry became not only a priority branch of machine construction, but also benefited from the correct and normal premises of the rapid increase in specialized personnel, the majority of whom came from the Aircraft Department of the Bucharest Polytechnical Institute, as well as from the academic groups established in connection with the principal aeronautical enterprises.

Thus were created the concrete conditions for beginning medium and large-scale series production, through indigenous design or using the transfer of technology and licenses, of aircraft, jet engines, small and medium jet-powered helicopters, helicopter components, gliders, and powered gliders, for domestic economic requirements as well as for export.

This activity, began simultaneously in Brasov and Bucharest, took a sudden step forward with the transfer of technology leading to the construction in Bucharest, in large-scale series (over 350 units), of the light touring aircraft, the Pilatus Britten-Norman BN-2 "Islander." Soon after the revival of the aeronautical industry, there began the

cooperative project between the aviation institutes of Romania and the friendly country of Yugoslavia; the program known by the name of JUROM was carried out through the almost concurrent flights in 1974 of the prototypes of the jet aircraft bearing the special designation, IAR 93/ORAO. In each of the jointly constructed aircraft there were mounted two VIPER 632-41 jet engines, assembled under Rolls-Royce license in Romania and in Yugoslavia. After construction of the pre-series aircraft, which were received with satisfaction by the beneficiaries in both countries, the two aeronautical industries began serial production, agreeing upon the development of the aircraft through the installation of perfected equipment and systems, including the VIPER engine with afterburner. These aircraft are a source of pride for the aircraft builders of both countries, and eloquent proof of the level achieved by each of these countries in this advanced area of machine building.

Starting with the need for an agricultural aircraft with an increased payload, there was launched in Bucharest, and later taken over in a superior program at Brasov, the IAR-827 aircraft program, repowered with a turbopropeller, an aircraft which has been praised by our foreign partners and whenever displayed at international fairs and exhibitions.

The gliders and powered gliders designed, built, and delivered by the Brasov enterprise for aircraft construction, are exported to countries on several continents. These same industrious workers in Brasov were the proponents of the first series of small and medium jet-powered helicopters ever built in Romania, the IAR-316 (license Alouette-III) and the IAR-330 ("Puma"), the latter benefitting from the production in Bucharest of the two Turmo IVC jet engines at the same plant where the VIPER engine, with and without after burner, was produced in series and where high-performance jet engines will be installed (the engine for the ROMBAC aircraft, the Spey-512).

The broad evolutionary program of the modern Romanian aeronautical industry was followed along its course with competence and parental concern by Comrade Nicolae Ceausescu, who paid countless working visits to the aircraft plants in Bucharest, Brasov, Craiova, etc. This program provided, and still provides, the foundation for the multiple and complex activities undertaken for the development of the aircraft industry along four primary lines, lines which derive from the needs of our country, but which take into consideration the requirements of the present stage, and with respect to the situation involving the crisis of raw materials and fuels: ensuring a powerful, modern, and dynamic source of materials; designing and building aircraft of all types at the most advanced level internationally, which are competitive on the world market; stimulating research and technical and scientific creativity, as well as stimulating technological ingenuity in all areas of aeronautics, particularly with respect to the assimilation in indigenous design of the majority of equipments, materials, and aircraft parts; and raising the teaching of aeronautics of all grades to the necessary level both quantitatively and, of course, qualitatively.

The programs are in the full process of expansion on a realistic basis with respect to domestic options and export. The emulation is excellent. The advice and guidance received during the working visits of Comrade Nicolae Ceausescu to the industrial platforms where the aircraft industry units are located, have opened and continue to open new avenues and possibilities for Romanian aeronautics which is constructing in medium and large-scale series utility aircraft (for training, touring, agriculture, health, etc.), commercial jet aircraft, special jet aircraft, mechanical parts for helicopters, countless equipments on board and for ground installations, semi-manufactured, cast, and forged for the construction of aircraft and of their engines. The series production of the commercial jet aircraft, the ROMBAC 1-11, constitutes a milestone in the evolution of modern Romanian aeronautics. Equipped with two Spey-512 jet engines, with more than 58,000 newtons of thrust, the ROMBAC can transport 110 passengers, in perfect conditions of comfort and safety, at a pseed of more than 850 km/hour at 10,000 meters, to airports located 3,000 km from Bucharest. The ROMBAC is already in the TAROM fleet.

Along with the ROMBAC, one of the latest creations of the Romanian aircraft industry was displayed at the recent aircraft show at Le Bourget: the IAR-825 training and aerobatic aircraft, with a turbopropelled engine, which has been praised by domestic and by foreign beneficiaries.

The ROMBAC 1-11 aircraft is the bearer of advanced aeronautical technology, which makes it competitive with any other commercial, medium-transport aircraft in the entire world. The foregoing is the opinion of one of the great aircraft designers of our country, engineer Teodor Zanfirescu, director general of the National Center of the Romanian Aircraft Industry, the specialist to whom modern Romanian aeronautics owes the first jet-powered aircraft from our country, the twin-jet IAR-93 (see front cover). Conceived as a progressive transfer of technology, under conditions advantageous to both parties over the course of a certain number of stages, the ROMBAC program continues to be developed as much as a diversification of utilizations with a rapid and progressive increase in the level of integration, as well as of certain aspects of exploitation. The immense potential for creativity which has been accumulated particularly over the past 17 years by the Romanian machine-building industry in general, and the aircraft industry in particular, having been placed on an ascendant trajectory by the policy of the party and by the creative thought of its secretary general, Comrade Nicolae Ceausescu, was evidenced once again by the recent signing in Moscow of two governmental agreements on Romanian-Soviet cooperation in the area of the aircraft industry. The documents establish the conditions for carrying out a fruitful cooperation between the two aircraft industries in the construction of aircraft engines, which will provide a new stimulus ofr raising to even higher levels the organizations which build jet aircraft engines possessing an increased level of technology.

The resources presently available for research and design, as well as those for production, have permitted the undertaking of other new and complex programs, which include high-speed jet aircraft, jet aircraft for school

and training, training and utility aircraft with turbopropelled engine, gliders of plastic reinforced with fiberglass, etc., the equipping of which with the necessary equipments and materials will be ensured through domestic production. For the complete elimination of imports, modern research and production facilities for semi-manufactured, forged, and cast equipments and on-board installations have been established and have begun to operate. The current facilities of the National Center of the aircraft industry have been deeply involved in this activity of greatest importance.

Mobilized by the duties outlined at the national conference of the RCP, the collectives of workers from the aircraft enterprises in Craiova, Brasov, and Bucau, as well as workers from the "Turbomecanica" enterprise in Bucharest, have achieved leading positions in the socialist contest, meeting and exceeding the indicators for net production, work productivity, production costs, and resulting benefits.

Along this line, for the results obtained in the activity of fulfilling the unique national plan for economic and social development of the country, in the years 1981 and 1982, the collective of workers from the National Center of the Romanian Aircraft Industry was honored with the first-place national title, receiving the Order of Labor, Class Two and, respectively, Class Three.

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CSO: 2700/312

## AUTOMOBILE SERVICE NEEDS IN CURRENT FIVE-YEAR PLAN

Bucharest COMERTUL MODERN in Romanian Jul-Aug 83 pp 7-10

[Article by Prof Barbu Gh. Petrescu, Dr Aurel Vainer, and Cristian Zimniceanu]

[Text] As an expression of the consistent policy of our party and state to raise the standard of living and improve the quality of life, the automobile is today increasingly visible among Romania's population.

Being a particularly complex product, designed and built to be used for a long time, the automobile requires various interventions for maintenance and repairs, in order to extend its lifetime at its designed technical, economic, and operational specifications. The development of the automobile market implies the need to organize and operate an increasingly large network of service units, which will provide the necessary maintenance and repairs efficiently and with good quality. At the same time, the existence of service facilities and the manner in which service is performed, have an increasingly important influence on the automobile market by shaping and determining the population's demand.

Starting with these considerations, and from the current stage of development of the automobile market in our country, an interdisciplinary cooperative has carried out a study on this subject. Based on an analysis of the present stage of development of automobile service, correlated with the overall development of the automobile market in our country, solutions and measures were proposed to improve this activity during the current five-year plan, so that it will satisfy the population's demand. In this respect, the secretary general of the party, Nicolae Ceausescu, has pointed out that "public services are still below the level of demand, having failed to keep pace with the constantly growing demand of the population."

### 1. Aspects in the Development of the Automobile Market

Against a complex background, some of whose factors are the population's higher buying power and the expanded and diversified supply (with the establishment and development of domestic automobile production), the population's demand has constantly increased, leading--in keeping with the

size and structure of the supply--to an increasingly higher volume of automobile sales (from 9,200 in 1965, to 83,500 in 1980). As a result of this evolution, our population's automobile ownership has increased by a factor of 24 between 1965 and 1980.

Notable in this context is the fact that during the 1976-1980 period, the growth of the automobile market in our country was higher than in the other socialist nations in Europe, with the ownership ratio between 1976 and 1980 being 2.1 in Romania, 1.9 in Bulgaria, 1.4 in Czechoslovakia, 1.5 in GDR, 2.0 in Poland, and 1.9 in Hungary.

The distribution of automobiles by counties at the end of 1981 places among the leaders the municipality of Bucharest, and the counties of Brasov, Cluj, Sibiu, Timis, Prahova, Caras-Severin, Arges, Hunedoara, and Arad. Far below the country's average ownership are the counties of Botosani, Bacau, Vaslui, Suceava, Ialomita, Neamt, Tulcea, Iasi, Bistrita-Nasaud, Calarasi, and Salaj.

Distribution of automobile ownership by counties (percent of country average)

Alba	87	Covasna	105	Olt	74
Arad	105	Dimbovita	90	Prahova	124
Arges	117	Dolj	100	Satu-Mare	83
Bacau	58	Galati	79	Salaj	59
Bihor	91	Giurgiu	94	Sibiu	133
Bistrita-Nasaud	54	Gorj	79	Suceava	43
Botosani	26	Harghita	86	Teleorman	65
Brasov	163	Hunedoara	107	Timis	125
Braila	66	Ialomita	48	Tulcea	55
Buzau	77	Iasi	56	Vaslui	28
Caras-Severin	122	Maramures	77	Vilcea	70
Calarasi	55	Mehedinti	80	Vrancea	62
Cluj	139	Mures	100	Mun. Bucharest	239
Constanta	96	Neamt	53		

During the present five-year plan, the automobile market will also undergo a great expansion, such that by the end of 1985, according to the law of the unified national plan for socioeconomic development, the population's automobile ownership in our country will be of 44 automobiles per 1000 inhabitants.

## 2. Characterization of the Development of Automobile Service Activities

At the end of 1982, the automobile service network consisted of 838 units, with 7029 work stations, a total area of 394,000 square meters, fixed assets of over 1.1 billion lei, and 16,700 workers. The automobile service activity produced nearly 2 billion lei in revenues during 1982, with profits of about 100 million lei.

In terms of their resources (number of work stations, number of workers, and fixed assets), the largest automobile service providers are MICM (Ministry of the Machine Building Industry) and UCECOM (Central Union of Artisan Cooperatives) (nearly 72 percent of all the work stations and 79 percent of the total fixed assets).

On the average, each automobile service unit has 8.4 work stations, and each work station has an area of 56 square meters, 2.3 workers, and 161,000 lei in fixed assets.

MICM and peoples' councils units are larger and have more work stations than those of UCECOM. Similarly, the average work station of a MICM unit has 63 percent more fixed assets than a UCECOM unit.

Revenues per average MICM unit work station were 38 percent higher than those of UCECOM units; the revenue per worker was also 38 percent higher in the former than in the latter.

Calculations have shown that for an average annual mileage of about 10,000 km per automobile, the annual expenditure is nearly 13,300 lei, of which 2600 lei are for maintenance and repairs in service units.

#### Costs per automobile

	lei	percent
Total	13,265	100
Gasoline, oil	7,520	56.7
Maintenance and repair in service units	2,620	19.8
Spare parts, tires, and other commercial purchases	1,650	12.4
Fees, insurance, taxes	1,265	9.5
Garage, parking	210	1.6

Large differences exist among counties in the availability of automobile service units; the largest shortages are in Bucharest and the counties of Brasov, Buzau, Cluj, Constanta, Dimbovita, Galati, Gorj, Prahova, Teleorman, and so on.

Although automobile maintenance and repair activities in the network of state and cooperative units has constantly grown and improved, some aspects are still insufficiently covered; some of these are: shortages in the network as a whole, and particularly in some counties; differences in productivity, endowment, and organization between units belonging to different service systems; problems with service quality; inadequate stocks of spare parts; poor availability of workers, especially for some trades; level of personnel training and upgrading; poor recovery and reutilization of parts and subassemblies.

### 3. Development of Automobile Service Activities During the Current Five-Year Plan, and Improvement Orientations

In order to improve the population's satisfaction with automobile maintenance and repairs, the study cooperative first calculated the network required by formulating some standards and correlating them with the evolution of the population's ownership of existing automobiles.

These standards are based among other things, on: technical recommendations from producers; indicators achieved at present in the automobile service network of each of the major service systems, and the need to improve them; some data from other countries; the experience of the study's participants, from MICM, UCECOM, CPCP (Committee for Peoples' Councils Problems), IATSA-Dacia (Enterprise for Technical Assistance and Service to Dacia Automobiles), and the Automecanica cooperative); as well as the technical and economic documents of various automobile service units recently opened or under construction.

Based on these standards the study cooperative established the major indicators of automobile service activities, as a function of automobile types and category of units: average number of hours/man/year necessary to repair and maintain an automobile (classified by operations), average number of workers per work station, average built-up area necessary per work station (classified by end use), and the average number automobiles per work station.

The average hours/man/year standards for maintaining and repairing an automobile were determined for the following operations: washing, oil change; compulsory annual mechanical inspection; mechanical and electrical interventions (brief, intermediate, and long); body and interior interventions (small, large, average). Given the older age of the Dacia 1100 or other brands of automobiles, larger standards were established for them than for the Dacia 1300. For instance, for intermediate and large mechanical and electrical interventions, 9-11 hours were allocated for Dacia 1300 (depending on the service system), 14 hours for Dacia 1100 automobiles, and 17 hours for other brands in the networks of all the systems (except MICM).

Because of the better working conditions, and the brand and age structure of automobiles serviced at MICM units, the hour/man standard for repairing and maintaining an automobile is 13 percent lower in these units than in the units of the other service systems. Consequently, the work load standard for a work station is 14 percent higher for Dacia 1300 at MICM units than at units of the other service systems.

As part of the task to rapidly develop during this five-year plan, the services provided to the population, the development of the maintenance and repair of automobiles is also included among the more important activities of the plan; so much so, that the program for territorial self-management and self-supply for the 1983-1985 period stipulates a 2.5-fold growth in the 1985 revenues obtained from automobile service activities with respect to 1980, which is a faster rate than all services as a whole.

Taking into consideration these tasks, the continued growth in the population's automobile ownership, and the existing shortages, and in order to increase the economic and social efficiency of automobile service activities, the study offered the following guidelines:

Expand the service network so as to reach, in 1985, 9280 work stations, with a built-up area of 465,000 square meters, 23,100 workers, and fixed assets of 1.7 billion lei, resulting in an endowment of one work station per 125 automobiles.

During 1983-1985, it will thus be necessary to create 2251 new work stations, with a built-up area of 71,000 square meters, and to hire 6800 new workers.

Improve territorial distribution, with the greatest network growth to occur in the counties of Brasov, Calarasi, Constanta, Gorj, Hunedoara, Teleorman, and in the municipality of Bucharest.

The different network growth by counties reflects on one hand, the existing situation in satisfying automobile service needs, and on the other hand, the variable growth rate of the automobile inventory during the current five-year plan.

Of the new work stations to be built during 1983-1985, about 41 percent will be in Bucharest, and 3-6 percent each in the counties of Brasov, Cluj, Constanta, Hunedoara, Prahova, Teleorman.

Maintain the present organization of automobile service activities in terms of service systems. The available information has shown for instance that in Bulgaria, the service system is the commercial and service enterprise Automoto-Tehnica (under the jurisdiction of the Ministry of Domestic Trade and Services); in Czechoslovakia, automobile service is provided both by manufacturers and by specialized units belonging to communal management and artisan cooperates; in Hungary, services are assured by specialized units belonging to the state, cooperatives, and private parties; in France, the Citroen company fulfills concurrent functions of production, marketing of automobiles and spare parts, and service (through a vast network of garages specialized in this brand, or more generalized); in Russia, automobile service is provided through manufacturer units and artisan cooperatives.

Exploit the capability reserves existing in specialized automobile service units in the socialist sector (local transportation enterprises, automobile repair enterprises, and even mechanical shops of some agricultural machinery stations), by expanding this activity to also include privately owned automobiles.

Diversify the automobile service network by building units of different sizes (using the principle of modular construction) based on standard designs; build small units for express service; organize mobile service stations and teams which will operate during the tourist season; establish service units as part of Peco stations, limited to small repairs, maintenance, and so on.

Assure the necessary workers both for existing work stations, and for those that will be created, by hiring between 1983 and 1985, a total of 6800 workers, 45 percent of which will be mechanics, 32 percent sheet metal specialists, 9 percent electrical specialists, and 11 percent painters and upholstery specialists.

The orientation of automobile service activities in the directions presented above, will assure a substantial growth in its economic efficiency.

According to calculations, 1000 lei of revenues in 1985 will result in nearly 20 percent greater profits than in 1982, and 40 percent greater per 1000 lei of fixed assets, thus making it possible to recover investments in a maximum of five years.

The application of these measures will also assure better satisfaction of the population's demand for automobile service, greater traffic safety, and will have positive effects on the lifetime of automobiles.

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CSO: 2700/306

## ROMANIA

### DECREE ON REMUNERATION UNDER OVERALL CONTRACT SYSTEM

Bucharest SCINTEIA in Romanian 13 Sep 83 p 4

[Decree on the Implementation of the Form of Remuneration Under the Overall Contract System and Other Forms of Remuneration Specific of Some Branches or Activities]

[Text] For the purpose of implementing some provisions of Law No 2/1983 on the basic principles of upgrading the system of remuneration of work and distribution of incomes of working people,

The Council of State of the Socialist Republic of Romania hereby decrees:

#### Chapter I. General Provisions

Article 1. (1) The remuneration of workers shall proceed in light of the work done and the results obtained. In case of exceeding of the production planned the incomes shall increase correspondingly and are not ceilinged.

(2) In case of noncompletion of production or noncompletion of duties at the production site the remuneration shall be reduced correspondingly, without ensuring guaranteed income.

Article 2. All the categories of workers, including managerial personnel and workers in the functional apparatus, regardless of the form of remuneration applied, shall conduct their activity on the basis of scientifically substantiated work norms and regulations, established in light of the operational technical parameters of machines and installations, the amount of work required, under conditions of superior organization of production and work.

#### Chapter II. Implementation of the Form of Remuneration Under Overall Contract System in Economic Units

Article 3. (1) The form of remuneration under the overall contract system shall be implemented on an overall scale in the economic units in industry, building-assembly, agriculture, transportation, scientific research and development, design and other sectors.

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Note. The appendixes to the decree shall be published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA.

(2) Included under the overall contract system are workers, foremen, engineers, technicians and the other categories of workers, including managerial personnel in enterprises, factories, plants, sections, workshops, brigades, construction sites, lots, farms, teams or the like.

(3) Aside from the directly productive personnel, under the overall contract system also included are workers in the jobs of repairs and maintenance, tool shops, in-house transportation, warehousing, in functional sections and in other sectors of activity, that are instrumental in completion of the plan assignments allotted the enterprise.

Article 4. (1) The form of remuneration under the overall contract system shall be implemented at the level of the enterprise, factory, plant, section, workshop, brigade, construction site, lot, farm, team and other similar organizational forms.

(2) The quantitative task contracted for under the overall contract system shall involve the physical output for the various items, products, subassemblies, parts, components or jobs that derive from the uniform national plan of socioeconomic development and the one planned by the ministry, central and enterprise, an output expressed in physical units -- tons, units, cubic meters, square meters, pairs and the like -- that are specific to the activity or the production site.

(3) The sum earmarked for the remuneration of workers that is specified in the agreement of the overall contract system shall be established on the basis of the rates per unit of product or job, developed on the basis of the labor specified under norms and standards for the production of each item, subassembly, part, component -- for all the categories of workers -- in accordance with the organizational level at which the agreement is concluded.

(4) The quantitative production task and the sum earmarked for remuneration, specified in the agreement under the overall contract system concluded by the enterprise at the levels established in accordance with the plan provisions, shall be broken down correspondingly for the various subunits, up to the work groups or teams of workers.

Article 5. (1) The agreement under the overall contract system that is concluded by sections, workshops, brigades, construction sites, lots, farms, work groups, teams of workers and the like, including those concluded by factories, plants and enterprises, shall specify for each category of workers -- in addition to the realization of the physical output provided for in the plan and in the economic contracts concluded with user units -- also the conditions under which it must be completed; these conditions shall involve the attainment of some indicators or tasks, such as:

a. For workers: compliance with consumption rates for the main raw materials, supplies, fodder, fuel and energy, realization of the pattern per qualities as specified in the agreement under the overall contract system, respectively, attainment of the quality parameters for the products or jobs executed, and also the realization of the exportable physical output specified in the plan and agreements;

b. For foremen, technicoengineering personnel and the other categories of workers in the production subunits, including managerial personnel in the factories and plants that are not legal entities, the heads of sections, workshops, lots, farms and the like: the realization of the exportable physical output specified in the

plan and agreements, realization of the pattern per qualities specified in the agreement, respectively attainment of the quality parameters for the products or jobs executed, compliance with the rates for materials expenditures specified in the agreement or, as the case may be, compliance with the consumption rates specified for the main raw materials, supplies, fodder, fuel or energy, and also full and on-schedule completion of the physical output contracted for;

c. For managerial personnel of economic units -- trusts, enterprises, stations for the mechanization of agriculture, factories and plants that are legal entities or that have an organization which is similar to that of enterprises, groups of construction sites and the like: the physical output specified in the plan and in economic contracts concluded with users and with priority the physical output intended for export; the plan for export, the sold and paid-for marketable output, the net output, the quality, the expenditures for each 1000 lei of output, the output for each 1000 lei of fixed assets, compliance with the consumption rates for raw materials, supplies, fuel and energy or other indicators specified under the plan. The same conditions shall be specified for personnel in the functional departments of economic units, including personnel in the activities involved under the overall contract system at the level of the unit, such as: plant railroads, repairs, self-provision with equipment, production of tools, devices and verifiers, production of process steam and other such activities, when they serve the whole unit.

(2) The planned physical output shall be considered as completed only when all the products specified in the plan were turned out in full. Failure to turn out a product may not be made up for by provision of another product over and above plan.

(3) The workers involved in the overall contract system at the level of sections, work shops, construction sites, lots, farms or other such subunits shall receive remuneration in accordance with the realization of the physical output specified for each of them and with the conditions established in the agreements under the overall contract system, regardless of the results obtained at enterprise level.

Article 6. The indicators and tasks that will be specified as requirements in the agreement under the overall contract system and the levels in reducing the remuneration for failure to meet each requirement shall be determined by the executive councils of ministries and of the other central bodies and by the executive committees of people's councils of counties and of Bucharest Municipality, with the approval of the Ministry of Labor, in a uniform manner for the units, subunits and categories of workers that conduct the same kind of activity.

Article 7. (1) The amount of remunerations due to the workers remunerated under the overall contract system shall be determined in direct proportion to the quantity of physical products turned out, without being limited, in both the case of overfulfillment and in the case of failure to complete the plan assignments.

(2) All the categories of personnel -- workers, foremen, engineers, heads of sections, workshops, construction sites, lots, farms or work teams and others, including managerial personnel of units and those in the functional departments -- in addition to the sum due in light of the physical production realized, shall receive on a supplemental basis bonuses and incentives, in accordance with the law, for achievement of savings versus the consumption rates for raw materials, supplies, fuel and energy. Moreover, for the contribution made to exceeding the exportable output and the export plan, they shall receive bonuses and other incentives under the law.

(3) In case of failure to meet the requirements specified in the agreement under the overall contract system, the sum due in light of the physical output realized shall be reduced additionally, in light of the level of nonimplementation of requirements, up to the limit of 10 percentages.

(4) The sum specified in proportion to the quantitative achievements shall be granted in full when, for the period contracted for, some of the conditions specified were not met, but these were implemented cumulatively from the beginning of the year.

Article 8. All the workers included under the overall contract system shall be remunerated from the total remuneration fund due to the group to which they belong, in light of the physical output realized and the level of implementation of the conditions specified in the agreement of the overall contract system.

Article 9. Within the framework of the form of remuneration under the overall contract system, for the directly productive workers and other categories of personnel for which it is possible to determine rates in terms of the quantity of products which a person or team must execute in a unit of time, the sums due for the quantitative achievements shall be determined under direct contract or other forms of contract, on the basis of the results of the work done by each person and shall be granted in full, if the conditions specified are met. In case these conditions were not met, the sum due in proportion to the quantities produced shall be reduced by the percentage that is applied to the fund due for the entire group.

Article 10. (1) In the context of the use of the overall contract system on an overall scale, the foremen, engineers and subengineers shall directly participate in production in the execution of more sophisticated projects, characterized by a higher technological level, in order to effectively contribute to the complete, qualitative and most rapid realization of the tasks under the contract. These persons shall be included in the work group under the overall contract system at the production sites where they were assigned and shall be remunerated in accordance with their basic pay and the time involved on the job, and with the level of realization of the tasks contracted for under the overall contract system by the group concerned.

(2) The projects of special complexity, at least on the level specified in the basic training indicators for the last category, executed under the direct individual contract system by foremen, engineers and subengineers, under the overall contract system, shall be rated with the remunerations specified by law for specialist workers.

Article 11. For workers in state agricultural units, including the state-remunerated personnel in agricultural production cooperatives and unified state and cooperative agroindustrial councils, included under the overall contract system, in case the hierarchically superior organ together with the Bank for Agriculture and the Food Industry finds, during the course of the year, that expected is a realization of the planned farm output which is smaller than the proportion in which, under the law, the monthly advance from the remuneration is granted, this advance shall be reduced correspondingly, beginning with the month in which such estimates were made. At the end of the year the remuneration shall be determined definitively in light of the level of realization of the tasks assumed under the contract.

Article 12. For the investment projects delivered, in which savings were achieved versus the planned value and requirements were met in terms of the provisions of the projects and the quality specified for the operations, the planned value is considered as realized.

### Chapter III. Implementation of Some Specific Remuneration Forms

Article 13. (1) The economic, technical and other specialized managerial and executive personnel in retail, wholesale trade units, public catering and tourism units, including the trade directorates, the county tourism offices, the ONT [National Office for Tourism] Tourism Central of Seaside Resorts, the county unions and the co-operatives for the production, procurement and marketing of products shall be remunerated under the direct contract system in proportion to the level of implementation of the cumulative plan for marketing, services, tourism, procurement and production.

(2) The remuneration established under Paragraph (1) shall be granted in full if realization occurs of the profit planned, the plan of foreign currency collections, the export plan, the expenditures for each 1000 lei of marketing and the plan for recovery of reusable packaging.

(3) In case of failure to meet the requirements specified in Paragraph (2) the sum due in proportion to the implementation of the cumulative plan of marketing, services, tourism, procurement and production shall be reduced additionally in light of the level of nonimplementation of the conditions, up to the limit of 10 percentages.

Article 14. For workers and operative personnel in units for technical-material supply and in units for recovery and utilization of reusable materials the form of remuneration on the basis of commission shall be used, translated into commissions for 10,000, 1000 or 100 lei selling, respectively collections from the selling of products or volume of collection.

Article 15. Technical, economic and other specialized managerial and executive personnel from technical-material supply bases, from contracting-procurement units and from the sector of operation of land improvement projects shall be remunerated under direct contract proportionally with the degree of implementation of the plan for the indicators specific to these units and of the physical output plan of the units supplied -- in the case of technical-material supply bases. The indicators, conditions and the levels of increasing or diminishing the remuneration shall be determined, annually, under the uniform national plan for socioeconomic development.

Article 16. (1) For technical, economic, other specialized and administrative personnel and for the other categories of personnel, that are not included in the overall contract system, specific work tasks shall be determined, based on work standards and personnel regulations, specifying the quantity and quality of the projects, the schedules for completion or other such obligations, in accordance with the specific work. The remuneration of these workers shall proceed in accordance with the completion of the work assignments and the other obligations set.

(2) The ministries, the other central bodies, the executive committees of people's councils of counties and of Bucharest Municipality shall take measures to develop work standards and personnel regulations, in units, for all the jobs and personnel categories, for the purpose of wise and effective utilization of the entire personnel. The State Planning Committee and the Ministry of Labor shall advance proposals for incorporation into the plan of the tasks of continuously upgrading the work standards and personnel regulations, constantly monitoring their completion.

(3) The activities, trades and jobs that are not included in the overall contract system shall be determined, annually, under the uniform national plan for socio-economic development.

(4) For the personnel in the management of the unit and the functional departments and for foremen, technical, economic and other specialized executive personnel and managerial personnel in production subunits, that are not included in the overall contract system, the size of the addition to the basic remuneration is 1 percent of the basic remuneration and, as the case may be, of the management allowance, for each percent of exceeding of the indicators set, combined. The same percentages shall be used in reducing the basic remuneration and, as the case may be, the management allowance of the personnel, in the case of nonfulfillment of the indicators or of the tasks set.

(5) The addition that may be determined for exceeding of the tasks that emanate from the plan of the unit or of the department and the reduction that may be applied, in case of noncompletion of these tasks, are unlimited.

#### Chapter IV. Criteria for Granting Basic Remuneration for Workers in State Administration, Industrial Centrals and Other Units That Are Not Included in Overall Contract System

Article 17. (1) The indicators that underlie the granting of the remuneration for the personnel in ministries and the other central bodies, including ministers, and for the personnel in the leading bodies and apparatus of executive committees of people's councils of counties and of Bucharest Municipality and the levels for increasing or diminishing the remuneration in light of the degree of attainment of the plan indicators are provided in Appendix No 1.

(2) Amendment of the indicators and of the levels in Appendix No 1 may be made, annually, under the uniform national plan for socioeconomic development.

(3) For the personnel in industrial centrals, in organs of state administration other than those stated in Paragraph (1) or in units that are not included in the overall contract system specified in the uniform national plan for socioeconomic development, the indicators and the levels of increasing or diminishing the remuneration for each indicators shall be determined, annually, by ministries, the other central bodies and the executive committees of people's councils of counties and of Bucharest Municipality, considering the indicators and the levels specific to them, in accordance with Paragraph (1).

Article 18. (1) The increase in or reduction of the basic remuneration and, as the case may be, of the management allowance for the personnel under Article 17 shall

be determined on a quarterly basis, in light of the levels stated under the plan for each indicator and the degree of attainment of the indicators set.

(2) At the end of each quarter, in light of the degree of attainment of indicators, cumulatively from the beginning of the year, an increase or a reduction is applied to the fund for basic remunerations including the management allowance, over the same period, for the personnel provided for in the plan. The fund determined in this manner shall be assigned to the existing personnel in light of the basic remuneration and the work time put in. On this basis, unlimitedly, is granted the addition due or is withheld, on a phased basis in the following 3 months, the reduction that resulted.

Article 19. For all the personnel in ministries and the other central bodies, and for the personnel in specialized local and territorial bodies under their subordination or of the executive committees of people's councils of counties and Bucharest Municipality, specified in Appendix No 2, the basic remuneration and, as the case may be, the management allowance shall be granted in light of the completion of the specific work tasks, determined on the basis of work standards and personnel regulations, and of the obligations that emanate from the uniform national plan for socioeconomic development, from other regulatory acts, from the work plan and from the organization and operation regulations.

#### Chapter V. Final Provisions

Article 20. The activities, trades and jobs that are not included in the overall contract system, in the year 1983, are specified in Appendix No 3.

Article 21. (1) The provisions of this decree are applied commencing 1 October 1983.

(2) On the date of the enactment of this decree, the provisions of Law No 57/1974 on remuneration according to the quantity and quality of the work done stated in Appendix No 4 and any other contradictory provisions are repealed.

Article 22. Appendixes No 1-4 are integral parts of this decree.

Nicolae Ceausescu  
President of the Socialist Republic of Romania

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CSO: 2700/44

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YUGOSLAVIA

## EXPORTS, IMPORTS OF AGRICULTURAL PRODUCTS IN 1982

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo -  
Croatian Jun 83 pp 5-10

[Text] The results of total Yugoslav foreign trade in 1982 were much worse than desired and planned at the beginning of the year. These results indicate further decline in the share of the Yugoslav economy in the international division of labor. Although there were indications even during the first quarter that 1982 would be a critical year for the economy of the world, with a low level of activity and elements of the recession continuing from the previous year, the foreign trade activities of Yugoslavia were marked by a very pronounced orientation toward exports. This development is an expression of the effort to stabilize the domestic economy, and above all to strengthen the liquidity of the country abroad.

The unfavorable results of foreign trade are the consequence, among other things, of a high rate of inflation and the unrealistic rate of exchange of the dinar<sup>(1)</sup>. An absence of motive for the persisting export orientation has also been observed, especially because of the substantial decline in the right to dispose of foreign exchange earned from foreign export organizations. However, despite the failure of expectations in the export sector, which remained at the level of the previous year (index of 100), to materialize, significant decline in imports (index of 92) resulted in improvement in the degree of coverage of imports with exports, from around 70 percent in 1981 to 77 percent in 1982.

As a result of stagnation of exports, and above all owing to decrease in imports, the degree of coverage of exports with imports in trade with industrially advanced countries increased from 39 percent in 1981 to 42 percent in 1982. In trade with the socialist countries (CEMA), despite the significant decline in imports and exports, the degree of coverage of imports with exports remained at the level of the previous year,

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(1) According to estimates by some economic institutes, even after the devaluation in October of last year the dinar is overvalued by about 20 percent against convertible currencies.

amounting to 110 percent, while in trade with developing countries this degree of coverage increased from 79 percent in 1981 to 123 percent in 1982.

Analysis from the viewpoint of these composite indicators suggests that improvements were achieved in foreign trade in 1982, although they were not the result of increased exports but primarily of decline in imports, as well as of somewhat more favorable regional distribution.

#### Trade in the Agroindustrial Area

Agricultural food products occupy a very prominent place in total Yugoslav foreign trade, along with products of the electric industry and mechanical engineering. Although they exhibit a tendency toward relative decline, agroindustrial products<sup>1</sup> will in the immediate future have a more prominent role in the trade balance of Yugoslavia. This finding is suggested by the possibilities of using the potential of the comparative advantages, primarily of climate, enjoyed by Yugoslav agriculture, advantages which create the basic prerequisites for enabling these products to compete in international trade.

Yugoslavia is relatively one of the richest countries of Europe from the viewpoint of cultivated land per inhabitant. Of the total cultivated land in Europe, Yugoslavia has 5.5 percent, while the cultivated land per capita is about 0.41 hectare in Yugoslavia and 0.33 hectare in the rest of Europe<sup>2</sup>. The importance of agriculture in the balance of trade and the volume itself of agricultural exports, along with the comparative advantages for agricultural production, have been determined by a number of other factors, the most important of which are the level of labor productivity in a branch and the degree of total economic development. Hence from the viewpoint of assessing the possibilities of increasing productivity and achieving further development of production, especially with a view toward export, it is very interesting to cite certain comparative indicators of productivity and exports in Yugoslav agriculture and the agriculture of an advanced country which otherwise has no comparative advantages (Table 1).

This level of productivity unquestionably has a decisive effect on the great relative differences in the value of exports effected, which in 1980 had the following values per gainfully employed agricultural inhabitant:

--for Yugoslavia	2,920 dinars
--for Holland	1,703,000 dinars

<sup>1</sup> Agroindustrial production (branches 0201, 0203, 0130, 0131, and 0132) accounted for the following percentages of Yugoslav foreign trade: 1980 11.2 percent (15.0 percent), 1981 7.2 percent (9.5 percent), and 1982 6.9 percent (4.7 percent). The figures in parenthesis indicate the share of the imports of these branches in total imports.

<sup>2</sup> 1982 Statistical Yearbook of Yugoslavia, page 735.

The following export value was created per hectare of cultivated land in the same year:

--for Yugoslavia	1,020 dinars
--for Holland	236,136 dinars

Table 1. Production per Gainfully Employed Agricultural Inhabitant in 1980\*

<u>Item</u>	<u>Yugoslavia</u>	<u>Holland</u>
--wheat, kg	1198	3,150
--corn, kg	2622	--
--potatoes, kg	690	14,100
--sugar beets, kg	1560	21,180
--meat, kg	390	7,700
--milk, kg	2000	42,000
--eggs, each	1230	34,620

#### Trade Structure by Branches

The relationships in foreign trade which are created by associated labor organizations classified by branches of the agriculture and food industry in accordance with the unified activity classification (0201 agricultural production, 0203 fishing, 0130 manufacture of food products, 0131 beverage production, and 0132 livestock feed production) in the main reflect the structure of domestic agroindustrial production and indicate the possibilities of increasing exports. By thus classifying the subjects of trade, in the form of the highly composite indicators of the level of coverage of imports which exports for the country as a whole, we drop to the level of the associated labor organization, examining the allocation structure, and thus the structure of customers for imported products, that is, the relationships by groups of activities to which the associated labor organizations are assigned, producers in the case of exports and consumers, end users, in the case of imports (Table 2).

In keeping with the orientation toward exports of products involving several stages of processing, the dominant position in exports of products in the sphere of the agroindustrial complex is occupied by food products, which account for about two-thirds of exports, while primary agricultural products make up slightly more than one-fifth of total exports. On the other hand, in the production of food products the heaviest demand is also for imported projects, so that this branch also uses two-thirds of the total amount of goods imported for the needs of associated labor organizations in the sphere of the agroindustrial complex.

Regional Export and Import Orientation. In view of the overall relationships in Yugoslav trade, it is unquestionably of importance to analyze the influence of the individual branches in the thus overstrained balance,

\* Cited from Zaharije Milanovic, "Self-management Organization of Labor in Agriculture," GLASNIK, No 2, Belgrade, 1983.

particularly from the viewpoint of regional distribution of exports and imports. Products in the sphere of the agroindustrial complex in this context make a positive contribution toward equilibrium of the balance of payments and foreign exchange balance, since more than 50 percent of the total exports of these products are sent to the convertible currency market (developed and developing countries). However, more than four-fifths of import needs in the production of these products derive precisely from the convertible currency market, and this greatly reduces the positive effects of the total exports to this market (Table 3).

Table 2. Value and Structure of Trade in Branches of the Agroindustrial Complex in 1982 (in thousands of dollars)

<u>Branches</u>	<u>Branch Exports</u>		<u>Branch Imports</u>	
	<u>Value</u>	<u>Percent</u>	<u>Value</u>	<u>Percent</u>
0201 Agricultural production	153,755	21.5	104,669	16.6
0203 Fishing	8,003	1.1	12,096	1.9
0130 Food product manufacture	472,065	66.2	415,885	66.1
0131 Beverage production	74,785	10.5	42,250	6.7
0132 Livestock feed production	5,284	0.7	54,581	8.7
Total Agroindustrial Complex	713,892	100.0	629,481	100.0
Total, Yugoslavia	10,270,620	6.9*	13,400,640	4.7*

\*Share of agroindustrial complex.

Source: The data have been obtained from documents of the Chamber of Commerce of Yugoslavia and of the Foreign Trade Institute of Yugoslavia for the January-December 1982 period; the documents also contain averages based on customs declaration elements. Unless expressly stated otherwise, this applies to the other tables as well.

Table 3. Regional Orientation of Trade, in Percent (total imports/exports = 100)

<u>Sectors</u>	<u>Developed countries</u>		<u>Socialist countries</u>		<u>Developing countries</u>	
	<u>Export/Import</u>		<u>Export/Import</u>		<u>Export/Import</u>	
Agricultural production	47.8	75.8	44.2	16.1	7.9	8.1
Fishing	39.3	14.2	59.8	85.6	0.9	0.2
Food product manufacture	40.9	65.6	49.4	16.1	9.5	18.3
Beverage production	44.2	77.1	54.9	22.6	0.9	0.3
Livestock feed production	65.3	80.2	34.7	2.4	0.0	17.4
Total Agroindustrial Complex	42.9	67.8	48.9	16.9	8.2	15.3
Total Yugoslavia	27.9	51.3	50.5	35.3	21.6	13.5

Examination of the total regional orientation of exports and of the structure of imports on the basis of the origin of goods reveals in particular that in some sectors we are highly dependent on these markets. Thus as much as 97 percent of the value of imported livestock feed (primarily the protein components) derives from the convertible currency area, and of this figure only 17.4 percent from the developing countries. There is also a high percentage of imported beverages, basic agricultural products, and food products from the developed countries, while only in the case of fishing products is the emphasis in imports on the socialist countries (clearing). It is also interesting to note here that only 0.2 percent of the fishing industry products come from developing countries; considering the natural potential and riches of the seas of these countries, this unquestionably represents potential for further development of trade, fishing, and the Yugoslav shipbuilding industry as well.

Analysis of the regional distribution of exports and imports of products in the sphere of agroindustrial production reveals, along with the positive developments, also the great difference between actual exports, on the one hand, and the unsatisfied needs for imports from the convertible currency market, and particularly from the area of the industrially developed countries, on the other. Hence, much greater attention should be devoted to the matter of balancing trade with the market economy countries in the struggle with ever sharper competition, above all with a view toward improving the maintaining the quality of our products, delivery conditions, and stability and organization of supply, and especially the prices of our products.

Coverage of imports with exports from the viewpoint of regional orientation.

--The extent of coverage of imports with exports by branch and region reveals a highly unsatisfactory situation, this suggesting the need for further development of the system of incentives for associated labor organizations when these organizations sell their output in export on the markets on which they depend the most heavily for imports (Table 4).

The basic feature revealed by analysis of the degree of coverage of imports with exports is the great disparity, both among individual sectors of the agroindustrial complex and in regional orientation. It is interesting to note that the total exports by organizations of the agroindustrial complex in 1982 were 13 percent higher than their imports, and that the degree of coverage ranges from 10 percent (for livestock feed production) to 177 percent (for production of beverages). However, the situation is found to be significantly different when viewed from the aspect of regional orientation. A negative balance is observed in trade with developed countries, and especially with developing countries, while exports to socialist countries have been 3.3 times higher than imports from these countries. Although the degree of coverage of imports with exports is the lowest in trade with developing countries (62 percent), at the same time certain characteristic relationships have been created in trade with this group of countries. Specifically, while

organizations in the livestock feed production sector have made no exports whatever to developing countries, organizations in the beverage production sector have exported almost five times as much as has been imported from these countries; this at the same time represents the most favorable relationship established in foreign trade in the sphere of agroindustrial production in 1982.

Table 4. Extent of Coverage of Imports with Exports by Sectors and Regions  
(Exports in Percent [Imports = 100])

<u>Sectors</u>	<u>Total</u>	<u>Developed countries</u>	<u>Socialist countries</u>	<u>Developing countries</u>
Agricultural production	147	93	404	143
Fishing	66	183	46	365
Food product manufacture	114	71	347	60
Beverage production	177	101	431	494
Livestock feed production	10	8	140	--
Total Agroindustrial Complex	113	72	332	62
Total, Yugoslavia	77	42	110	123

Exports and imports by republics and provinces. Analysis of the regional distribution of exports and imports by republics and provinces (Table 5) is no less interesting than the breakdown by groups of countries. It is obvious here that the greater part of total trade is carried out by associated labor organizations in Serbia (Vojvodina accounting for more than 50 percent of the trade from the Republic of Serbia or 25 percent of total Yugoslav exports and imports) and in Croatia. These federal units must also be given credit for exceeding imports by around 13 percent with exports of the agroindustrial complex; the degree of coverage of imports with exports is 148 percent for Serbia (the exports of Vojvodina are even as much as 2.3 times higher than imports) and 104 percent for Croatia. Typically, Montenegro, although participating to a marginal extent in the total Yugoslav balance of trade, has a positive balance (118 percent) in the area of the agroindustrial complex. The lowest degree of total coverage of imports with exports in agroindustry was that of organizations in Slovenia (74 percent).

Sector-by-sector analysis reveals that the lowest degree of coverage was that of organizations in livestock feed production in Bosnia and Herzegovina (1 percent) (neither exports nor imports by this sector being recorded in Montenegro and Macedonia), and the highest degree that of beverage producing organizations in Kosova (859 percent). However, exports of beverages by organizations by organizations in Kosovo represent only 3.3 percent of the Yugoslav exports by this sector, and the highest percentage of beverage exports originates in Serbia proper (35.3 percent).

As has already been pointed out, two-thirds of the total exports of agroindustrial products are made up of food products. Hence it is of interest to determine how much of these products was exported by associated labor

production organizations in 1982 and the regions in which the organizations are located. First of all it may be noted that the number of organizations which are truly major exporters totals 248, of which 27 are in Bosnia and Herzegovina, 5 in Montenegro, 20 in Macedonia, 44 in Croatia, 43 in Slovenia, 55 in Serbia proper, 48 in Vojvodina, and 4 in Kosovo. Thus the average value of food product exports per exporting organization amounted to only around \$1.9 million. However, the value of exports ranged from \$1,000 to \$20,166,000. This suggests that the production capacities of the food industry, which by the force of circumstances are oriented toward exports, are broken up into very small units, this objectively representing an obstacle to attainment of a satisfactory production structure and volume competitive in price and quality in international trade. In addition, a large number of exporting organizations in one sector need to exert particular effort to ensure unity of effort in placing goods on foreign markets and preventing disloyal competition under conditions in which exports are made "at any price."

Imports of agroindustrial products and their classification by purpose. The preceding tables have shown the imports of the agroindustrial complex, in the aggregate and for each sector, independently of the type of classification of the goods imported. However, for the sake of fuller explanation of total Yugoslav trade in agroindustrial products by sectors and kinds of goods, it is of interest to make a comparative survey of total exports of agroindustrial products, on the one hand, and of the total imports of products of the particular sector, regardless of the sector to which the importing organization belongs, on the other, as well as of the classification of these imports by structure (Table 6).

In contrast to the export and import relationships by sectors of the agroindustrial complex shown in Table 2, it is obvious from Table 6 that the value of imports of agroindustrial products is much higher (by about 75 percent) than the value of exports of these products. At the same time, it is clearly to be seen that the value of imported agricultural products is about 5.5 times greater than the value of the exports of such products. It is interesting to note, however, that only one-fifth of the value of these products was spent for reproduction materials in agroindustrial production. Of this amount 13.5 percent was applied to the manufacture of food products, 3.2 percent to the production of beverages and livestock feeds, and 3.5 percent to agricultural production itself. On the other hand, the production of yarns and fabrics (imports of natural fibers), in which one-third of the imports was consumed as reproduction material, is prominent among the sectors which absorbed the greatest share of imported agricultural products; it is followed by trade (retail and wholesale) with 11.7 percent, and so forth.

In view of their production properties, agricultural and food products can be employed chiefly for reproduction or for mass consumption. The classification of imported products by structure has also varied as a function of the sector to which the products belong. But it is typical

that in 1982 there were no imports of agricultural products intended for investment projects such as breeding stock and basic herd, for example. This may suggest that a level of development of domestic technology has been reached which makes self-sufficiency possible, but it is more probable that this import structure is the result of the increasingly restrictive policy in the sphere of foreign economic relations, and particularly of further aggravation of the problem of insufficient foreign exchange, so that the bulk of imports represent only the most essential reproduction materials. Such developments may have an adverse effect on promotion of labor and development of productive forces and on further delay in development of the agroindustrial complex.

Table 5. Exports and Imports by Organizations of Agroindustrial Complex in 1982, by Republics and Provinces (Figures in Thousands of Dollars)

SR (1) AP	(3)	(2) U K U P N O Vrednost %*	(4) Poljoprivredna proizvodnja	(5) Ribarstvo	(6) Proizvodnja prehramb. proizvoda	(7) Proizvodnja pića	(8) Proizvodnja stočne hrane	
Bosna i Hercegovina (9)	a)	43.499	6,1	16.543	168	25.273	1.452	63
	b)	48.652	7,7	6.544	219	32.596	3.388	5.905
	c)	89	—	253	77	78	43	1
Crna Gora (10)	a)	4.056	0,6	70	30	3.372	584	—
	b)	3.441	0,5	373	14	2.151	898	—
	c)	118	—	19	214	157	65	—
Hrvatska (11)	a)	195.352	27,4	44.929	1.485	128.616	19.112	1.210
	b)	188.340	29,9	28.053	1.061	144.450	7.189	7.587
	c)	104	—	160	140	89	266	16
Makedonija (12)	a)	34.369	4,8	20.994	144	12.466	765	—
	b)	35.229	5,6	17.704	23	16.007	1.495	—
	c)	97	—	119	626	78	51	—
Slovenija (13)	a)	88.537	12,4	12.130	328	52.724	21.662	1.693
	b)	118.956	18,9	17.421	265	54.566	15.023	31.681
	c)	74	—	70	124	97	144	5
Srbija (14)	a)	348.079	48,8	59.089	5.849	249.614	31.210	2.317
	b)	234.860	37,3	34.569	10.514	166.112	14.257	9.408
	c)	148	—	171	56	150	219	25
— van SAR (15)	a)	182.378	25,5	33.205	4.212	118.127	26.438	396
	b)	157.492	25,0	19.733	8.903	109.315	11.630	7.911
	c)	116	—	168	47	108	227	5
— Vojvodina	a)	159.050	22,3	23.881	1.637	129.297	2.314	1.921
	b)	69.479	11,0	11.931	1.457	52.760	2.341	990
	c)	229	—	200	112	245	99	194
— Kosovo	a)	6.561	0,9	2.003	—	2.100	2.458	—
	b)	7.889	1,2	2.905	154	4.037	286	507
	c)	83	—	69	—	54	859	—
SFRJ — (16)	a)	713.892	100,0	153.755	8.003	472.065	74.785	5.284
UKUPNO	b)	629.481	100,0	104.669	12.096	415.885	42.250	54.581
	c)	113	—	147	66	114	177	10

a) izvoz grane, b) uvoz za granu, c) izvoz u % (uvoz = 100);

\* SFRJ — UKUPNO = 100.

Key on following page

(a) exports by sector, (b) imports for sector, (c) exports in percent (imports = 100);

(\*) Total for Yugoslavia = 100

KEY:

- (1) Republic or Province
- (2) Total
- (3) Value
- (4) Agricultural production
- (5) Fishing
- (6) Food product manufacture
- (7) Beverage production
- (8) Livestock feed production
- (9) Bosnia and Herzegovina
- (10) Montenegro
- (11) Croatia
- (12) Macedonia
- (13) Slovenia
- (14) Serbia
- (15) Outside Provinces
- (16) Yugoslavia--Total

Table 6. Exports and Imports of Agricultural and Food Products (in Thousands of Dollars)

(1) G r a n e	(2) Ukupan izvoz proizvoda grane	(3) Ukupan uvoz proizvoda grane	(4) Struktura uvoza (%)		
			Repro- dukcija	Investi- cije	Široka potroš.
			(5)	(6)	(7)
(8) Poljoprivredna proizvodnja	153.755	840.021	77	0	22
(9) Ribarstvo	8.003	23.041	71	0	29
(10) Proizvodnja prehrambenih proizvoda	472.065	372.659	92	0	8
(11) Proizvodnja pića	74.785	6.757	93	0	7
(12) Proizvodnja stočne hrane	5.284	5.791	100	0	0
(13) Ukupno AMK	713.892	1.248.268	—	—	—

- KEY: 1. Sector  
 2. Total sector exports of products  
 3. Total sector imports of products  
 4. Import structure (percent)  
 5. Reproduction  
 6. Investments  
 7. Mass consumption  
 (continued on following page)

8. Agricultural Production
9. Fishing
10. Food product manufacture
11. Beverage production
12. Livestock feed production
13. Agroindustrial complex total

#### Export Orientation of the Agroindustrial Complex

The problems of achieving equilibrium in Yugoslav foreign trade, the negative balance of which is by now chronic, derive in part from the exceptionally low degree of export orientation of the economy as a whole and of certain activities in particular. According to data on the results of operation in 1982, the ratio of export performance to total performance is highly unsatisfactory for the economy as a whole, amounting to only 12.6 percent and to 13.2 percent for industry and mining. Inasmuch as agriculture and the food industry are often distinguished as being important potential factors in achieving balance of payments equilibrium, we will undertake here to discuss their potential in detail (Table 7).

Table 7. Elements of Total Revenue Structure and Degree of Export Orientation of Agroindustrial Complex in 1982 (in millions of dinars)

G (1) r a n e	(2) Prihodi od prodaje na domaćem tržištu	(3) Učešće u % <sup>1)</sup>	(4) Prihodi od prodaje na stranom tržištu	(3) Učešće u % <sup>1)</sup>	(5) Odnos doma- će realizaci- je i izvoza
Poljoprivredna (6) proizvodnja	153.908	38,3	3.494	0,9	44,0
Ribarstvo (7)	1.958	42,5	414	0,9	4,7
Proizvodnja prehrambenih (8) proizvoda	282.677	59,9	15.990	3,4	17,7
Proizvodnja pića (9)	37.917	52,2	4.254	5,8	8,9
Proizvodnja stočne hrane (10)	27.045	57,9	211	0,4	121,2
Ukupno AIK (11)	519.672	47,8	24.462	2,2	21,2

1) Ukupan prihod grane = 100.

Izvor: Na osnovu podataka SDK, iz zbirne obrade završnih računa za 1982. godinu.

NAPOMENA: Pored prihoda od prodaje na domaćem tržištu, kao domaću realizaciju treba imati u vidu i druge elemente ukupnog prihoda, kao: prihodi ostvareni u okviru OUR; iz zajedničkog prihoda na domaćem tržištu; po osnovu upotrebe proizvoda za sopstvene potrebe; ostvarene slobodnom razmenom rada; ostvareni prodajom robe na veliko i na malo; prodajom materijala i otpadaka; od kamata, dotacija, subvencija, kompenzacija, regresa i premija; i druge nepomenute prihode.

(1) Total sector revenue = 100.

(continued on following page)

Source: Based on Public Accounting Service data, from summary treatment of final statements for 1982.

Note: In addition to revenue from sales on domestic market, other elements of total revenue as well should be considered to be domestic performance, such as revenue earned within framework of associated labor organizations, revenue from collective revenue on the domestic market, that based on use of products for own needs, revenue earned through free exchange of labor, from wholesale and retail sale of goods, from sale of materials and waste, from interest, grants, subsidies, compensation, indemnity claims, and bonuses, and from other unspecified sources.

KEY:

1. Sector
2. Revenue from sale on domestic market
3. Share in percent
4. Revenue from sale on foreign market
5. Relationship of domestic performance to exports
6. Agricultural production
7. Fishing
8. Food product manufacture
9. Beverage production
10. Livestock feed production
11. Total agroindustrial complex

The figures in this table are highly indicative, demonstrating the much stronger tendency of organizations in the agroindustrial complex to operate on the domestic market than to market their products as exports. This indicates that in this situation reserves may be required for increasing exports. The reasons for this situation are to be sought above all in the appreciably higher prices of agroindustrial products on the domestic market, but also in the problems involved in overcoming the difficulty of access and the strong competition in the world market. The disparity which our research shows was characteristic of trade in 1982, was about 20 percent in favor of the higher domestic prices and is at the same time one of the features of trade in the agroindustrial complex. These price differences vary widely among products and sectors and are the result of different factors, ranging from lack of uniformity of production conditions and of incentives received by producers and from differences in the burden of transportation expenses and insurance expenses to differences in the level of productivity in a particular kind of production. The differences are also the result of variations in product quality, although it may be said that the agroindustrial products which Yugoslavia exports are generally of higher quality than those sold on the domestic market, while the situation is often the reverse in the case of imports.

Prices of agricultural and food products as an expression of the quality of economic operation in the agroindustrial complex represent a very

sensitive area, especially in assessing the possibility of further development of agroindustrial production and its inclusion in the international division of labor. Hence the policy regarding the domestic prices of these products in relation to the world prices, as a criterion for setting the domestic prices of agricultural products, must take into account many specific characteristics of individual trade partners. At the same time, economic policy must above all allow for the specific nature of production under Yugoslav agroclimatic conditions, of utilizing the potential comparative advantages and of stimulating suitable regional distribution of production, with account taken of the level of development of the individual regions.

On the basis of the orientation of the Resolution on development policy in 1983, on lowering consumption on the domestic market on the average by 10 percent, and on providing a suitable stock of goods for export, and with a knowledge of the characteristics of exports of agroindustrial products in 1982 and of the marketing relationships on the domestic and foreign markets, that is, of the degree of export orientation of these sectors, one can project the potential annual increase of exports on the assumption that domestic marketing of agroindustrial output decreases a certain percentage (Table 8).

Table 8. Increase in Exports by Changing the Degree of Export Orientation  
(in thousands of dollars)

(1)	(2)	(3)	(4)	(5)
G r a n a	Vrednost izvoza	Odnos domaće realizacije i izvoza	Ocenjena vrednost domaće realizacije	Efekat usmeravanja 1% domaće realizacije u izvoz
(6) Poljoprivredna proizvodnja	153.755	44,0	6.765.260	67.653
(7) Ribarstvo	8.003	4,7	37.614	376
(8) Proizvodnja prehrambenih proizvoda	472.065	17,7	8.355.550	83.556
(9) Proizvodnja pića	74.785	8,9	665.585	6.656
(10) Proizvodnja stočne hrane	5.284	121,2	640.420	6.404
(11) Ukupno AIK	713.892	21,2	15.134.510	151.345

Obračunato na osnovu izvornih podataka za 1982. godinu.

Calculated on the basis of source data for 1982.

KEY: 1. Sector	7. Fishing
2. Value of exports	8. Food product manufacture
3. Relationships of domestic sales to exports	9. Beverage production
4. Estimated domestic sales value	10. Livestock feed production
5. Effect of orienting 1 percent of domestic sales toward export	11. Total agroindustrial complex
6. Agricultural production	

Although it disregards the problem of supply of the domestic market with agricultural and food products, as well as the effect of potential decrease in domestic marketing on the level of supply and the economic situation of exporters, this hypothetical projection provides sufficiently clear indication of the potential for short-term improvement of balance of payment relationships. Specifically, it is highly indicative that reorientation of 1 percent of the value of domestic marketing of agricultural and food products to the foreign market would result in increase in the value of these products by more than 21 percent, that is, in this way alone the total Yugoslav exports in 1982 could have been increased around 1.5 percent. It is obvious that this method of increasing exports can be of interest only by way of exception and for a short period of time, but under conditions in which the problems of the external liquidity of the country are becoming more acute, the possibility exists of realization of the projected relationships by means of suitable economic policy.

The investigation made of the characteristics of foreign trade by the method followed in this paper is an unusual one, but the results we have obtained can be of great practical benefit, especially under conditions of modification of certain systemic solutions in the sphere of foreign exchange transactions and credit relations with foreign countries.

In analyzing and establishing the possibilities of increasing production and of promoting exports of agroindustrial products as a sphere which unquestionably is of enormous importance to overall stability of the national economy, it is necessary to bear in mind and allow for the many specific features of this economic complex. The heterogeneous production structure, the unequal economic situation of individual producers and sectors, the inadequate regional distribution, the absence of specialization, and the lack of effective economic policy measures ensuring more harmonious development of the individual sectors and of the agroindustrial complex as a whole also lead to wide variety in the characteristics of foreign trade in the sphere of agroindustrial production.

The averaged results for the agroindustrial complex as a whole conceal many contradictions and paradoxes. Essential differences emerge both among sectors and groups of associated labor organizations and in the regional classification of these sectors and organizations, that is, the production and export-import structure by republics and provinces.

There is observed in particular a different level of coverage of imports with exports for the same sector in different republics and provinces, as well as dispersion of exports among many producing entities and unequal orientation of trade to different countries and currency areas. In view of all these factors, in evaluating the potential of the agroindustrial complex for increasing exports and the contribution made by this sector

to solution of the balance of payments problems of the country, it is necessary above all to take into account the potential and the specific features of the individual sectors and groups of organizations of agricultural and food product producers, and especially the varying degree of their export orientation, but at the same time also the extent of dependence of individual producers and sectors of the agroindustrial complex on imports.

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